

ATTENTION

**Additions to Income and Subtractions From Income
Are Now Located on **Schedule 1 (Form 3423)****

**IF YOU HAVE ADDITIONS TO OR
SUBTRACTIONS FROM INCOME, YOU MUST
COMPLETE SCHEDULE 1 (FORM 3423) AND
ATTACH IT TO YOUR 1998 MI-1040. FAILURE
TO DO SO WILL CAUSE A DELAY IN THE
PROCESSING OF YOUR RETURN.**

MI-1040 Michigan Income Tax Return

Issued under P.A. 281 of 1967. Filing is mandatory.

1998

This return is due April 15, 1999. Please print or type clearly in blue or black ink.

PLACE LABEL HERE	▶ 1 Primary Filer's First Name and Middle Initial	Last Name	▶ 2 Primary Filer's Social Security Number
	If a Joint Return, Spouse's First Name and Middle Initial	Last Name	▶ 3 Spouse's Social Security Number
	Home Address (No., Street, P.O. Box or Rural Route)		▶ 4 School District Code (see p. 46)
	City or Town	State	ZIP Code

Check this box if someone else prepares your return and you DO NOT need a book mailed to you next year (see p. 3).

Voluntary Contributions: You may contribute to the Children's Trust Fund and Nongame Wildlife Fund on the back of this return.

		YES	NO	
▶ 5	STATE CAMPAIGN FUND			
If you or your spouse if filing a joint return, want \$3 of your taxes to go to this fund, check this box. This will not increase your tax or reduce your refund.		a. You	<input type="checkbox"/>	<input type="checkbox"/>
		b. Spouse	<input type="checkbox"/>	<input type="checkbox"/>
▶ 6	FILING STATUS			
a. <input type="checkbox"/> Single		b. <input type="checkbox"/> Married, filing jointly		
		c. <input type="checkbox"/> Married, filing separately. Complete item 3 and enter your spouse's name here: _____		
▶ 7	RESIDENCY			
a. <input type="checkbox"/> Resident		b. <input type="checkbox"/> Nonresident		
		c. <input type="checkbox"/> Part-Year Resident		
If you check box "b" or "c," you must complete and attach Schedule NR.				
8	EXEMPTIONS	Number of exemptions you claimed on your 1998 federal return.		
Check a box for all Michigan special exemptions that apply				
Age 65 or older		▶ c. <input type="checkbox"/>	You	
Deaf		▶ e. <input type="checkbox"/>	Spouse	
Totally and permanently disabled (and under age 65), hemiplegic, paraplegic, quadriplegic or blind		▶ g. <input type="checkbox"/>	▶ d. <input type="checkbox"/>	
Unemployment compensation (must be 50% of AGI)		▶ i. <input type="checkbox"/>	▶ f. <input type="checkbox"/>	
How many boxes did you check?		J. _____	▶ h. <input type="checkbox"/>	
		x \$900 =	_____ .00	
Number of children claimed as Michigan exemptions:		▶ k. _____	x \$600 = _____ .00	
Ages 6 and under		▶ L. _____	x \$300 = _____ .00	
Ages 7 - 12				
If someone else can claim you and/or your spouse as a dependent, check the box, enter "0" on line 8a and complete the worksheet on page 30.		You	Spouse	
		▶ m. <input type="checkbox"/>	▶ n. <input type="checkbox"/>	
Add lines 8b, 8J, 8k, 8L and 8p. Enter here and on line 14		p. _____	.00	
		8. _____	.00	
9.	Adjusted gross income from your U.S. 1040, 1040A or 1040EZ (see p. 30)	▶ 9.	_____ .00	
10.	Additions (from MI-1040 Schedule 1, line 7)	▶ 10.	_____ .00	
11.	Total. Add lines 9 and 10	11.	_____ .00	
12.	Subtractions (from MI-1040 Schedule 1, line 18)	▶ 12.	_____ .00	
13.	Income subject to tax. Subtract line 12 from line 11	13.	_____ .00	
14.	Exemption Allowance. Enter the amount from line 8 or Schedule NR, line 19	▶ 14.	_____ .00	
15.	Taxable income. Subtract line 14 from line 13	15.	_____ .00	
16.	Tax. Multiply line 15 by 4.4% (.044)	16.	_____ .00	

	.00
--	-----

Amount

Credit

	.00
--	-----

				.00
--	--	--	--	-----

A horizontal number line is shown, ranging from 0 to 100. Major tick marks are labeled at 0, 10, 20, 30, 40, 50, 60, 70, 80, 90, and 100. A decimal point is placed at the 10 mark. The number 10.00 is written above the line at the 10 mark.

				.00
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				.00
--	--	--	--	-----

					.00
--	--	--	--	--	-----

				.00
--	--	--	--	-----

22a.

					.00
--	--	--	--	--	-----

				.00
--	--	--	--	-----

► 23. 

A horizontal number line with a vertical line on the right. To the right of the line is a decimal point followed by two zeros (.00).

► 25.  .00



		.00
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				.00
--	--	--	--	-----

	.00
--	-----

Month	Number of People
January	20
February	30
March	25
April	20
May	35
June	25
July	20
August	25
September	20
October	25
November	20
December	20

► 30.  .00

► 31.  .00

► 32.  .00

	.00
--	-----


Pay

	.00
--	-----

A horizontal number line with a box for the decimal part and a label .00.

To deposit your refund directly into your bank account, complete the *Direct Deposit of Refund* form on page 27.

<p><i>I declare, under penalty of perjury, that the information in this return and attachments is true and complete to the best of my knowledge.</i></p> <p> <input type="checkbox"/> I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Do not discuss with my preparer. </p>		<p><i>I declare under penalty of perjury that this return is based on all information of which I have any knowledge.</i></p> <p>Preparer 's Signature, Address, Phone and ID No.</p>
Filer's Signature	Date	
Spouse's Signature	Date	




Make checks payable to "State of Michigan." Write your Social Security number and the words "1998 income tax" on the front of your check. **Do not staple your check to the return.**

1998 MICHIGAN

Income Tax Returns and Homestead Property Tax Credit Claim



What's new for the 1998 tax year . . .

 If you filed electronically last year, this year you will receive your peel-off mailing label on a postcard. Filing electronically is the quickest filing method available. Electronic filers usually receive their refunds in seven to ten days, compared with four to eight weeks for paper return filers. See your tax practitioner or file on-line from your home computer. See page 3 for more information.

The *Michigan Income Tax Return* (form MI-1040) is redesigned for the 1998 tax year. Additions to and subtractions from income are now on a separate form, *MI-1040 Schedule 1*. We hope the new form is easier for you to read and use.



Child Care Act of 1997. Individuals with children ages 6 and younger on December 31, 1998 may deduct \$600 per child. Individuals with children ages 7 through 12 on December 31, 1998 may deduct \$300 per child.

Personal Exemption Allowance Increases

For tax year 1998, the personal exemption allowance is \$2,800.



Please recycle this booklet.

IMPORTANT NEWS FOR 1998

Electronic Filing Program

Starting January 15, 1999, you may electronically file both federal and state returns. Check to see if your tax preparer provides this service. You can also file federal and state returns electronically from your home computer. Filing electronically will shorten the processing time of your return. Call the Michigan Tele-Help System for more information (see page 5).



For tax year 1998, Michigan returns filed electronically may be **refund or tax due returns** with or without a property tax credit and/or college tuition credit (Schedule CT). Home heating credit claims may be filed electronically. Payments for tax due returns must be mailed with the *Michigan Payment Voucher for Electronic Filing* (form MI-1040-V). Direct deposit of refunds is also available for 1998.

If your annual income is \$20,000 or less see our web site for information on free tax preparation and electronic filing for 1998.

Mailing Labels

If you do not need a tax booklet next year, check the box at the top of your 1998 MI-1040 or MI-1040EZ.

Over 949,000 taxpayers checked the box on their 1997 return indicating they did not need a 1998 instruction booklet sent to them. These taxpayers, along with over 425,000 taxpayers who filed electronically for 1997, will receive their peel-off mailing label on a postcard. This will save Michigan taxpayers over \$155,000 in printing costs.

We no longer print your Social Security number on the mailing label. Instead, for security reasons, a 10-digit code number appears on the label.

How to Use Your Mailing Label

- Review your name and address. If the information is correct, place the label on the first page of your tax return.
- If you use a tax preparer, take this book to your preparer and ask him or her to use your label on your return. Using your label will help shorten the processing time of your return.
- Do not use the label if any of the information on the label is incorrect. Write the correct information on the return.
- Do not use the label if you are a surviving spouse and the deceased taxpayer's name is on the label. Write the correct information on the return.
- Do not use your mailing label as a return address label on your envelope. This will delay our receipt of your return.

Direct Deposit of Refunds

You may request that your refund be deposited directly into your account at a financial institution instead of receiving a check. See the direct deposit form and instructions on pages 27 and 28.

Nonrefundable College Tuition and Fees Credit



Any Michigan resident with adjusted gross income (AGI) of \$200,000 or less may claim an income tax credit for undergraduate tuition and fees paid on behalf of the taxpayer or any other student. For tax year 1998, the amount of the credit is limited to 8 percent of tuition and fees paid to a maximum of \$375 per student per year. Residents may claim the credit for 1998 only if the school has certified that tuition will not increase by more than 2.3 percent for the 1998-99 academic year. Refer to the back of the 1998 *Michigan College Tuition and Fees Credit* (Schedule CT) to see if you qualify.

Use Tax

We have moved the **Use Tax Return** to page 9. It is your responsibility under the law to pay 6 percent use tax on out-of-state purchases and mail order and Internet purchases from companies that do not collect Michigan sales or use tax.

Pensions

Individuals with income from a private nongovernmental pension or a qualifying individual retirement account (IRA) may subtract larger amounts than in previous years. For tax year 1998, pension benefits included in adjusted gross income (AGI) from a private pension system or an IRA are deductible to a maximum of \$33,630 on a single return or \$67,260 on a joint return.

Senior citizens age 65 or older may also deduct benefits received from a retirement annuity policy if the payments are made for life to a senior citizen or to the surviving spouse of a senior citizen. Qualifying annuity amounts must be added to any private pension amounts, and the total is subject to the maximum limits shown above. See *MI-1040 Schedule 1*, line 12 instructions on page 14 and Example A on page 16.

Senior citizens age 65 or older may deduct part of their interest, dividends and capital gains that are included in AGI. For 1998, the dividend, interest and capital gains deduction is limited to a maximum of \$7,500 on a single return or \$15,000 on a joint return, and must be reduced by the pension subtraction.

Homestead Property Tax Exemption Adjustment

In 1998, if you received a corrected or supplemental tax bill or refund of property taxes paid from a previous year as a result of an adjustment to your homestead property tax exemption, you must adjust your 1998 property tax amount. Interest received or paid on the adjusted property taxes may not be claimed on line 9 of the property tax credit claim (forms MI-1040CR and MI-1040CR-2).

Property Tax Credits/Refunds - A Reminder From the Internal Revenue Service (IRS)

Michigan homestead property tax credit and homestead exemption refunds received in 1998 may be taxable on your 1998 federal income tax return. These are refunds of a portion of the property taxes paid. If you claimed an itemized deduction for property taxes on your 1997 federal income tax return and then received a refund in 1998 from the state or your local unit of government for a portion of those taxes, you must include that refund as income on your 1998 federal income tax return. If you have questions about the taxability (for federal tax purposes) of these refunds, please call the IRS at 1-800-829-1040.

Home Heating Credit

For 1998, you will not have the option of applying the home heating credit (MI-1040CR-7) to income tax due. If you are filing a Michigan income tax form (MI-1040), do not attach your MI-1040CR-7 to it. The deadline for filing your 1998 home heating credit is September 30, 1999. Home heating credits received after September 30, 1999 will be denied.

No-Form Option Available for Tax Year 1999

The no-form option program is again available for tax year 1999. It gives eligible taxpayers the option of not filing an annual Michigan income tax return. Additional information is available by calling the Michigan Tele-Help System (see pg. 5).

If you chose the no-form option for 1998, you will receive a letter explaining the program by January 31, 1999.

Web Site

Visit our Treasury web site on the Internet at:
www.treas.state.mi.us



For Help -- 1-800-487-7000

Call this number to talk to a department representative for answers to your questions about Michigan income tax and the various credit forms. Staff is available to take your call between 8 a.m. and 5 p.m. (Mon. - Fri.) year round. During tax processing season (February - April), staff is available between 7 a.m. and 7 p.m. (Mon. - Fri.). Individuals answering these toll-free lines will answer specific questions on the preparation of the income tax forms and various credit forms. **Refund status information will not be given at this number (see below).**



Deaf, hearing or speech impaired persons using a Text Telephone for the Deaf (TTY) should call 517-373-9419 for assistance. This number is reserved for persons using a TTY. Other persons calling this number will be directed to call the toll-free phone number.

If you need help completing your return, contact your local senior citizen center or community service agency to find out if there is a volunteer tax assistance program available. You may also want to contact your local library to see if it has a copy of the tax preparation video that was distributed to libraries throughout the state.

To Check On Your 1998 Refund -- 1-800-827-4000

Allow at least eight weeks for the processing of your 1998 refund before calling the Computerized Refund Information System (CRIS). You must have the primary filer's Social Security number and adjusted gross income or household income to get refund information. This number may be called 24 hours a day. CRIS will allow you to check on your refund once every seven days.

If your return is selected for review, CRIS will tell you to allow an additional eight weeks for the processing of your refund.

Returns for years prior to 1998 are processed after the 1998 returns are completed.

To Get Forms --

1-800-FORM-2-ME (367-6263)

This number may be called 24 hours a day. Tell our computerized forms message system what you need and we will mail your forms. Forms are also available at all Treasury offices listed on page 5. Commonly used forms are available at Michigan Secretary of State offices, many libraries, post offices and financial institutions.

Forms are also available on our web site at:

www.treas.state.mi.us

Michigan Tax Forms By Fax -- 517-241-8730



Call from a fax phone to have 1998 Michigan tax forms sent to your fax machine 24 hours a day/365 days a year.

A Note About Debts

Michigan law requires that any money owed to the state and other agencies be deducted from your refund or credit before it is issued. This includes money owed for past due taxes, school loans, child support due the Friend of the Court, an IRS levy, money due a state agency, a court-ordered garnishment or other court orders. Taxpayers who are married, filing jointly, may receive a computer-generated *Income Allocation to Non-Obligated Spouse C-4297*. Completing and filing this form may limit the portion of the refund that can be applied to a liability. If Treasury applies all or part of your refund to any of these debts, you will receive a letter of explanation.



When You Have Finished

Before you mail your return, review it carefully and make sure it is complete. Also, review your return for the following **common errors** that can delay your refund.

- using a label with incorrect information
- illegible writing
- transposing numbers in the Social Security number
- computing nonrefundable tax credits incorrectly
- omitting the community foundation code
- reporting the incorrect amount of estimated tax payments
- failing to attach federal schedules to verify losses and expenses (see Table 1 on page 6)
- omitting the taxable value of your homestead
- omitting the school district code
- failing to report total household income from all sources, both taxable and nontaxable, on the property tax credit claim
- claiming an exemption for both totally and permanently disabled and for age 65 or older
- leaving the Family Independence Program (FIP) line blank (MI-1040CR, line 25), entering the wrong amount of FIP assistance, or entering the household income subtotal on this line
- entering figures on the wrong lines
- computation errors.

Where To Mail Your Return

If you are due a refund, mail your return to:

Michigan Department of Treasury
Lansing, MI 48956



If you mail your 1998 return in the same envelope with a return for years prior to 1998, your 1998 refund will be delayed. To receive your 1998 refund faster, mail your 1998 return in a separate envelope.

If you owe tax, mail your return to:

Michigan Department of Treasury
Lansing, MI 48929



Make checks payable to "State of Michigan" and write your Social Security number and the words "1998 income tax" on the front of your check. Do not staple your check to the return.

For a fast refund file electronically.



See your tax practitioner or file on-line from your home computer. See page 3 for more information.

Michigan Tele-Help System

1-800-827-4000



Tele-Help is an automated system of informative recordings about income tax and property tax credit topics.

Call 1-800-827-4000 anytime and listen for the Tele-Help instructions. This number operates 24 hours every day.

Tele-Help code numbers and topics

General Income Tax Information

- 111 Where to go for help
- 121 To get a copy of your return
- 131 Refund offsets
- 141 Who must file an income tax return and how to file
- 151 Other:
 - Deceased taxpayers
 - Residency
 - Requirements for dependents, minors and students
- 161 Repayments of income reported in a prior year (Claim of Right)
- 171 Electronic filing
- 181 Home electronic filing
- 191 No-Form option for tax years 1998 and after
- 192 Direct deposit

MI-1040

- 211 Amended returns - form MI-1040
 - Prior year returns
- 221 Estimated tax payments
- 231 Additions and subtractions from income
- 241 Capital gains and losses
- 251 Public Contributions Credit
- 261 Community Foundations Credit
- 271 Other:
 - Deferred compensation
 - Tax status of U.S. obligations
 - Extensions
 - Distributions from IRAs
 - Contributions to IRAs
- 281 Homeless Shelter/Food Bank Credit
- 292 College Tuition and Fees Credit
- 293 Renaissance Zones

Credit Information

- 311 Homestead Property Tax Credit
- 321 List of special situations for property tax credits
- 331 Home Heating Credit
- 341 Senior Citizen Prescription Drug Credit
- 351 Difference between household income and adjusted gross income
- 361 Farmland Preservation Credit

Miscellaneous Information

- 411 Homestead Exemption Affidavits

Treasury Offices

The Treasury field offices no longer prepare tax returns. If you need help, please call the Lansing office. Forms are available at all Treasury field offices.

Main Office:

LANSING, 48922
Treasury Building
430 W. Allegan St.
1-800-827-4000 (refunds)
1-800-487-7000 (information)

Other Offices:

DETROIT, 48226
State of Michigan Plaza Building
1200 6th St., 2nd Floor, N. Tower

ESCANABA, 49829
State Office Building, Room 7
305 Ludington St.
(open 8 - 12 only)

FLINT, 48502
State Office Building, 7th Floor
125 E. Union St.
(closed 12 - 1)

GRAND RAPIDS, 49503
State Office Building, 3rd Floor
350 Ottawa St., NW

KALAMAZOO, 49005-0286
535 S. Burdick St., Ste. 197
(closed 12 - 1)

PONTIAC, 48342
100 N. Saginaw St., Upper Level

SAGINAW, 48607
State Office Building, 4th Floor
411-I E. Genesee St.
(open 8 - 12 only)

TRAVERSE CITY, 49684
701 S. Elmwood Ave., Box 14
(open 8 - 12 only)

Deaf, hearing or speech impaired persons may call 517-373-9419 (TTY).

Important Information for All Income Tax Filers

This booklet is only intended as a guide to help you complete your return; it does not take the place of the law.

The index for this booklet is inside the front cover.

Always complete your federal tax return before your Michigan return. You may need to file a Michigan return even if you do not need to file a federal return.

ADJUSTED GROSS INCOME (AGI)

Throughout this book, we refer to adjusted gross income as AGI. Copy your AGI directly from your U.S. 1040 line 33, U.S. 1040A line 18, or U.S. 1040EZ line 4.

WHO MUST FILE A RETURN

File a return if you owe tax, are due a refund or your AGI exceeds your exemption allowance. You should also file a Michigan return if you file a federal return, even if you do not owe Michigan tax. This will eliminate unnecessary correspondence from Treasury. See pages 7 and 20 for nonresident and part-year resident information.

If your parents (or someone else) can claim you as a dependent on their return and your AGI is \$1,500 or less if single, or \$3,000 or less if married filing jointly, you do not need to file a return unless you are claiming a refund of withholding. If single, and your AGI is over \$1,500; or if married filing jointly, and your AGI is over \$3,000 you must file a return. See instructions on page 30 or form MI-1040EZ, line 6.

Important: If your income subject to tax (line 13) is less than your personal exemption allowance (line 14) and Michigan income tax was withheld from your earnings, you must file a return to claim a refund of the tax withheld.

WHO MUST FILE A JOINT RETURN

File a joint Michigan return if you filed a joint federal return. If you filed separate federal returns, you may file separate or joint Michigan returns. You may file a joint return only with your spouse, not with a parent, sibling or other relative.

Note: You may file as "single" only if you are widowed, not married, are divorced or are separated under court order.

TAX CREDITS

A tax credit may reduce your tax or increase your refund. Be sure to claim all the credits for which you qualify. You may be able to claim credits for each of the following:

- city income tax (page 31)
- contributions made to some public institutions and community foundations (page 31)
- cash contributions to homeless shelters/food banks (pages 31-32)
- income tax paid to government units outside Michigan (page 32)
- college tuition and fees (page 21)
- homestead property taxes and/or rent paid (page 34)
- farmland preservation (use form MI-1040CR-5).

ROUNDING DOLLAR AMOUNTS

Round down all amounts less than 50 cents. Round up all amounts of 50 through 99 cents. Do not enter cents.

WHEN TO FILE YOUR RETURN

Your return must be postmarked no later than April 15, 1999. Payment must be included with your return. Make your check payable to "State of Michigan" and be sure to write your Social Security number(s) and the words "1998 income tax" on the front of the check.

If you cannot file before the due date and you owe tax, you may file an *Application for Extension of Time to File Michigan Tax Returns* with your payment. See page 7.

PENALTY AND INTEREST ADDED FOR FILING OR PAYING LATE

If you file or pay late, Treasury will add a penalty of 5 percent of the tax due every month until you file and pay. Maximum late penalty is 50 percent of the balance of tax due. Minimum late penalty is \$10 for the first month. If you pay late, you must add penalty and interest to the amount due. The interest rate through June 30, 1999 is 9.5 percent. For interest rates after June 30, 1999, call 1-800-487-7000.

TABLE 1
Attach These Federal Schedules

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return:

Schedule B	Interest and Dividend Income (if over \$5,000)
Schedule C or C-EZ	Profit or Loss From Business
Schedules D & 4797	Capital and Ordinary Gains and Losses
Schedule E	Supplemental Income and Loss
Schedule F	Farm Income and Expenses
Form 2555	Foreign Earned Income
Form 3903 or 3903-F	Moving Expenses
Form 6198	Computation of Deductible Loss From Activity Described in IRC Section 465(c)
Form 8829	Expenses for Business Use of Your Home
Schedule R or 1040A, Schedule 3	Credit for the Elderly or Totally and Permanently Disabled
Form 4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Returns

Make sure the above schedules and forms report the location of the business activity or the location of any real property involved. Schedules showing rental of personal property must report where the property is being used. If you do not attach these schedules, processing of your return may be delayed.

Information About Special Situations

EXTENSIONS

To request more time to file your Michigan tax return, send a payment of your estimated annual liability to Treasury with a copy of your approved federal extension (U.S. 4868) on or before the original due date of your return. Treasury will extend the due date to your new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* with your payment. Treasury will not notify you of approval. Do not file an extension if you will be claiming a refund.

An extension of time to file is not an extension of time to pay. If you underestimate the tax due and do not pay enough with your extension request, you must pay interest on the unpaid amount. Compute interest from the due date of the annual return. Interest is 1 percent above the prime rate and is adjusted on July 1 and January 1.

You may be subject to a penalty of 10 percent or more if the balance due is not paid with your extension request.

When you file your MI-1040 return, include on line 32 the amount of tax you paid with your extension request. Attach a copy of your federal or state extension to your return.

1999 ESTIMATE PAYMENTS

Usually, you must make estimated income tax payments if you expect to owe more than \$500 when you file your 1999 MI-1040. This is after crediting your property tax and farmland preservation credits and amounts you paid through withholding.

Common income sources which make estimate payments necessary are:

- self-employment income
- salary and wages if you do not have enough tax withheld
- tips
- retirement income
- unemployment benefits
- dividend and interest income
- income from the sale of property (capital gains)
- rental income.

You may ask your employer to increase your withholding to cover the taxes on other types of income.

Estimated payments are due April 15, 1999; June 15, 1999; September 15, 1999 and January 18, 2000. If you are a fiscal-year filer, the due dates are the same as your federal estimated payment due dates.

If you filed estimates for 1998, Treasury will send you personalized forms for 1999. Otherwise, request form MI-1040ES (see page 4).

Farmers, fishermen or seafarers may have to pay estimates, but have different filing options. If at least two-thirds of your gross income is from farming, fishing or seafaring, you may:

- delay paying your first 1999 quarterly installment (with form MI-1040ES) until as late as January 18, 2000 and pay the entire amount of your 1999 estimated tax due then, **OR**
- file your 1999 MI-1040 return and pay the entire amount of tax due on or before March 2, 2000.

You are considered a farmer or fisherman if you are required to file U.S. *Schedule F* or *Schedule C*. Wages earned as a farm employee or from a corporate farm do not qualify you for this exception. You are considered a

seafarer if you meet the criteria for wages that cannot be withheld for taxes in Title 46, Shipping, USC, Sec. 11108.

Exceptions: If you owe more than \$500 you may not have to make estimate payments if you expect your 1999 withholding and credits to be at least:

- 90 percent of your total 1999 tax, **OR**
- 100 percent of your total 1998 tax. **Note:** Total 1998 tax is the amount on 1998 form MI-1040, line 25, less the amount on lines 29 and 30.

RESIDENCY

Resident. You are a Michigan resident if Michigan is your permanent home. Your permanent home is the place you intend to return to whenever you go away. A temporary absence from Michigan, such as spending the winter in a southern state, does not make you a part-year resident.

Income earned by a Michigan resident in a nonreciprocal state or Canadian province is taxed by Michigan, and may also be taxed by the other jurisdiction. If you pay tax to both, you can claim a credit on your Michigan return. See instructions for line 22 and Example C on page 32.

Part-year resident. You are a part-year resident if you move your permanent home into or out of Michigan during the year. You must pay Michigan income tax on income you earned, received or accrued while living in Michigan.

Use Schedule NR and the following guidelines to help you figure your tax.

- Allocate your income from the date you moved into or out of Michigan.
- Bonus pay, severance pay, deferred income and any other amount accrued while a Michigan resident are subject to Michigan tax no matter where you lived when you received it.
- Deferred compensation and dividend and interest income are allocated to the state of residence when received.
- Part-year residents who lived in Michigan at least six months of the tax year may qualify for a homestead property tax credit. See information on page 42.

Nonresident. Use Schedule NR to help you figure your tax. You must pay Michigan income tax on the following types of income earned in Michigan:

- salary, wages and other employee compensation for work performed in Michigan, unless you live in a state covered by a reciprocal agreement. (See "Reciprocal States" on page 8.)
- net rents and royalties from real and tangible personal property in Michigan.
- capital gains from the sale or exchange of real property located in Michigan, or of tangible personal property located in Michigan.
- patent or copyright royalties if the patent or copyright is used in Michigan or if you have a commercial domicile in Michigan.
- income (including dividend and interest income) from an S corporation, partnership or an unincorporated business or other business activity in Michigan.

RECIPROCAL STATES

ILLINOIS, INDIANA, KENTUCKY, MINNESOTA, OHIO and WISCONSIN have reciprocal agreements with Michigan that exempt nonresidents from income taxes imposed by each state on salaries, wages and other employee compensation. Michigan residents pay only Michigan income tax on their salaries and wages earned in any of these states. A Michigan resident can file a withholding form with an employer in a reciprocal state to claim exemption from that state's income tax withholding. The out-of-state income might make Michigan income tax estimate payments necessary. Some employers in reciprocal states will withhold Michigan income tax from salaries and wages they pay to Michigan residents. Residents of reciprocal states working in Michigan do not have to pay Michigan tax on salaries or wages earned in Michigan but do have to pay Michigan tax on business income derived from business activity in Michigan. A resident of a reciprocal state who claims a refund of Michigan withholding tax must file a *Michigan Nonresident and Part-Year Resident Schedule* (Schedule NR).

DECEASED TAXPAYERS

The estate of a taxpayer who died in 1998 (or 1999 before filing a 1998 return) must file if the taxpayer owes tax or is due a refund. A full-year exemption is allowed for a deceased taxpayer on the 1998 MI-1040 or MI-1040EZ. The surviving spouse or the personal representative may file the return.

The surviving spouse may file a joint return for 1998. Write your name and the decedent's name and both Social Security numbers on the MI-1040. Write "deceased" after the decedent's name. You must report the decedent's income. Sign the return. In the decedent's signature block, write "Filing as surviving spouse" and the decedent's date of death.

If you filed your federal returns as "married filing separately," you may file your Michigan returns the same way.

If, as a personal representative, you are claiming a refund for the decedent, you must attach a *Statement of Person Claiming a Refund Due a Deceased Taxpayer* (U.S. 1310) or *Michigan Claim for Refund Due a Deceased Taxpayer* (MI-1310). Enter on line 1 of the decedent's return the decedent's name and your name in the following order:

John Brown, Estate of
Jane Brown, Rep.

Use the decedent's Social Security number and your address. Enter the date of death in the signature block.

See the "Deceased Claimant" instructions (on page 42) for information about filing a credit claim for a deceased taxpayer.

AMENDED RETURNS

If you made a mistake on a return previously filed, correct it by filing an *Amended Michigan Individual Income Tax Return* (MI-1040X). If your amended return computes to a refund, you must file it within four years of the due date of your original return.

If a change on your federal return affects Michigan taxable income, you must file an MI-1040X with Michigan Treasury within 120 days of the change. Include payment of any tax and interest due. If you have overpaid, use this form to request a refund.

You can also amend a homestead property tax credit or farmland preservation credit claim by filing a revised claim form clearly marked "amended." Attach a completed MI-1040X to the front of the amended credit form.

NET OPERATING LOSSES

The computation of a Michigan net operating loss (MNOL) and a Michigan net operating loss deduction (MNOLD) are revised for 1998. The deduction for a carryback or carryforward of a net operating loss is no longer limited to federal modified taxable income (FMTI). The FMTI limitation for household income, however, is still in effect.

If you have a federal net operating loss deduction, you must add back the federal deduction on your MI-1040 Schedule 1, line 6, to the extent included in federal adjusted gross income. Compute your MNOL and MNOLD by completing an *Application for Michigan Net Operating Loss Refund* (form MI-1045).

To claim a refund for a carryback deduction, you must file an MI-1045. Returns for tax years affected by carryforward deductions must have form MI-1045 attached to substantiate the deduction.

REPAYMENTS OF INCOME REPORTED IN A PRIOR YEAR

If you had to repay an amount of money in 1998 which you claimed as income in a previous year because you thought you had an unrestricted right to it (e.g., unemployment benefits), you may be entitled to a credit on your 1998 return for the tax paid in an earlier year.

If the amount of the repayment is deducted on U.S. *Schedule A* or a credit is claimed on U.S. *1040*, line 63, a credit will be allowed on the Michigan return. If the repayment is deducted in arriving at AGI, no additional credit is allowed on the Michigan return because your income for the year is already reduced by the repayment amount.

To compute your Michigan credit, multiply the amount you repaid in 1998 by the tax rate which was in effect the year you previously paid the tax. Then add the amount of the credit to the Michigan tax withheld on line 31 of your MI-1040. Write the words "Claim of Right/Repayment" next to line 31.

Attach a schedule showing the computation of the Michigan credit, proof of the repayment, and the portion of your federal return reflecting the deduction or credit claimed under the "Claim of Right" to your MI-1040.

When To File A Use Tax Return

It is your responsibility under the law to pay 6 percent use tax on out-of-state purchases and mail order and Internet purchases from companies that do not collect Michigan sales or use tax.

Use tax must be paid on the total price (including shipping and handling charges) of all taxable items brought into Michigan or purchases made by mail or over the Internet from out-of-state retailers who do not collect Michigan sales tax. It applies to purchases made in foreign countries as well as other states. Michigan allows a credit for sales tax properly paid to another state, up to the amount charged by Michigan and provided the other state allows a similar credit.

Effective May 1, 1994, the use tax rate increased from 4 percent to 6 percent.

Items that are taxable. Use tax applies to the same merchandise that sales tax applies to. Either sales tax or use tax needs to be paid on taxable items.

Examples of purchases subject to use tax include:

- catalog, Internet out-of-state or mail-order out-of-state purchases (sporting goods, clothing, home furnishings, etc.);
- purchases made from other states or Canada (appliances, electronic equipment, furs, furniture, etc.);
- purchases made from TV shopping clubs (records, tapes, books, etc.);
- vacation/travel purchases (jewelry, works of art, etc. you purchase in another state or foreign country and have shipped to you in Michigan);
- any purchase subject to tax, where the tax has not been collected.

You do not have to pay use tax on grocery food items, prescription drugs or vitamins and most magazine subscriptions.

Businesses that collect use tax. If an out-of-state business does not have a store, warehouse or employees in Michigan, it does not have to register and collect Michigan use tax. Many businesses voluntarily collect use tax for their customers although they are not required to.

Use tax enforcement. Michigan is a member of interstate tax enforcement agreements that help members enforce sales and use tax laws through an information exchange.

Through these agreements, out-of-state businesses are encouraged to voluntarily register and collect Michigan use tax. If they do not, Michigan may contact purchasers directly for payment. If the tax has not been paid before the purchaser is contacted, the bill will include penalty of up to 50 percent and interest.

How to pay use tax. If you owe use tax, complete the *Individual Purchase Use Tax Return* (form C-3001) below. To ensure that your payment is applied properly, do not enclose this return and payment with your income tax return. Send the form with your payment to the address on the use tax return.

Example: Jeff of Lansing, Michigan mail-ordered a camera and supplies from a store in New York City. Jeff paid the store this way:

Merchandise Cost	\$450.72
Shipping and Handling	+ 4.00
Total Paid	\$454.72

Jeff is liable for use tax due Michigan at 6% of the cost of the merchandise and the shipping and handling.

$$\$454.72 \times 6\% = \$27.28 \text{ use tax due.}$$

If you have questions about the use tax, call the Sales, Use and Withholding Taxes Division at 517-373-3190.

Cut on this line

Michigan Department of Treasury, 48 (Rev. 9-98)
Formerly C-3001

INDIVIDUAL PURCHASE USE TAX RETURN

Issued under P.A. 94 of 1937. Filing is mandatory.

When you buy items from out-of-state companies through the Internet, catalogs, or through newspaper, television or magazine advertisements, or buy an aircraft, you may owe use tax on those items. Some companies collect the Michigan tax on sales; when they do, you should pay the tax directly to the company.

Do not mail this with your income tax return.
Mail to: Sales, Use and Withholding Taxes Division at the address below.

But if you buy something from an out-of-state company that doesn't collect Michigan sales or use tax, you must pay use tax directly to the Michigan Department of Treasury.

Items subject to use tax include aircraft, clothing, appliances, electronic equipment, furniture, jewelry and books. You do not have to pay use tax on grocery food items, prescription drugs, vitamins and most magazine subscriptions.

Your Name		Telephone Number	
Street Address	City	State	ZIP Code

An itemized list of purchases is not required. Report only your total purchases on which you did not pay tax, including shipping and handling.

Total Purchases	\$	<i>I declare, under penalty of perjury, that the information in this return is true and complete to the best of my knowledge.</i>	
	X .06		
TOTAL TAX DUE. Pay this amount.	\$	Signature	Date

Make your check payable to the "State of Michigan," write the words "Use Tax" on the front of the check, and mail to:
Sales, Use and Withholding Taxes Division, Michigan Department of Treasury, Lansing, MI 48922

Intangibles Tax

Tax year 1997 was the last year you were required to file an intangibles tax return.

Intangibles Tax was levied on the ownership of intangible personal property (like stocks, bonds or land contracts). You had to file a *Michigan Intangibles Tax Return* (form C-6606) if dividend and interest income (excluding any interest earned on deposits in a bank or savings and loan) was over \$8,000 on a single return or \$16,000 on a joint return. Intangible personal property that does not produce income (stock that does not issue a dividend) was also subject to tax.

If you have questions about intangibles tax, call the Intangibles Tax Section at 517-373-3162 or visit Treasury's web site at: **www.treas.state.mi.us**

When To File A Single Business Tax Return

Single Business Tax (SBT) is a tax on business activity conducted in Michigan. You (individuals) are required to file a single business tax return **IF** you have business activity, your adjusted gross receipts are \$250,000 or greater for the 1998 tax year **AND:**

- You are self-employed and/or have to pay self-employment tax with your federal income tax return, **OR**
- You file a U.S. *Schedule C*, **OR**
- You include rental property on a U.S. *Schedule E*, **OR**
- Your earnings are reported to you on a *1099 MISC* form rather than a *W-2* form.

If you are required to file SBT and need an instruction booklet, call 1-800-FORM-2-ME (367-6263) and we will mail a booklet to you.

If you have general questions about SBT, call the Single Business Tax Division at 517-373-8030, or visit Treasury's web site at: **www.treas.state.mi.us**

Annual State Park Permits

You may purchase a State Park Motor Vehicle Permit for \$20.00 by mailing your check made payable to "State of Michigan" to the Parks and Recreation Division, Department of Natural Resources, P.O. Box 30257, Lansing, MI 48909. Permits may also be purchased at any of the 96 state park locations in Michigan. You may use your credit card to purchase a permit by phone from a state park during regular state park hours, or from the Parks and Recreation Division in Lansing (517-373-9900). All proceeds from the sale of permits are used for the operation and improvement of Michigan state parks.

For more information, visit the DNR web site at: **www.dnr.state.mi.us**

MI-1040 SCHEDULE 1

Part-year and nonresidents, complete Schedule NR (see page 19) before proceeding.

Additions to Income

Line 1: Enter gross interest, dividends, and income from obligations or securities of states and their political subdivisions other than Michigan. Add this income even if it comes to you through a partnership, S corporation, estate or trust. You may reduce this income by related expenses not allowed as a deduction by Section 265(a)(1) of the IRC.

Line 2: Enter the deduction taken for **self-employment tax** on your federal return and for other taxes on or measured by income, such as your share of city income tax paid by partnerships or S corporations, or your share of the taxes paid by an estate or trust.

Line 3: Use Michigan form **MI-1040D** if you have capital gains or losses attributable to: 1) an election to use Section 271 treatment for property acquired before October 1, 1967; 2) the sale or exchange of U.S. obligations which cannot be taxed by Michigan; or 3) the sale or exchange of property subject to allocation provisions.

If you reported gains on U.S. 4797 and acquired the property before October 1, 1967, adjust the gain on Michigan form **MI-4797**.

Instructions are with each form. Enter gains from the Michigan column of your MI-1040D, line 17, or MI-4797, line 18b.

Line 4: Enter losses from a business or losses from property located in another state which you own as a sole proprietor, a partner in a partnership or as a shareholder in an S corporation. If your business is taxed by both Michigan and another state, the loss must be apportioned. Attach a *Schedule of Apportionment* (form MI-1040H).

Line 5: Enter the net loss from the federal column of your Michigan MI-1040D, line 18 or MI-4797, line 18b.

Line 6: Enter the total of the following (attach a schedule if necessary):

- amount of net operating loss deduction (NOL carryforward) used to reduce AGI (see page 8)

- net loss included in AGI from Michigan gas and oil royalty interest or working interest
- refund received from a Michigan Education Trust (MET) contract. If you deducted the cost of a MET contract in previous years and received a refund from MET during 1998 because the MET contract was terminated and the beneficiary is not attending an institution of higher education, then enter the smaller of:

- a. the refund you received, **OR**
- b. the amount of the original MET contract price (including the application and processing fees) which you deducted in previous years.

If you financed your MET contract with a MET-secured loan, deducted the cost of that contract and then defaulted on the loan, enter the amount paid in 1998 by MET to repay the outstanding principal portion of your defaulted loan.

Subtractions From Income

Note: Part-year and nonresidents subtract only the applicable amounts included in income attributed to Michigan (column B of Schedule NR) on all lines except line 11.

Line 8: Enter income from U.S. government obligations (Series EE bonds, Treasury notes, etc.), including income from U.S. government obligations received through a partnership, S corporation or trust. This subtraction must be reduced by any interest expense on indebtedness incurred in carrying the obligation and by any related expenses used to arrive at AGI. Investment companies that invest in U.S. obligations are permitted to pass the tax-free exemption of such holdings to their shareholders. These shareholders are treated as owners of a proportionate share of the fund's assets.

If income from U.S. government obligations exceeds \$5,000, attach a copy of your U.S. *Schedule B* listing the amounts received and the issuing agency.

Capital gains from the sale of U.S. government obligations must be adjusted on Michigan form MI-1040D.

Line 9: Enter compensation received for active duty in the U.S. Armed Forces included in AGI. Include military retirement on line 12.

Note: A Michigan resident who receives compensation from the U.S. Public Health Service may not subtract the income as military pay.

Line 10: Enter the gains from the federal column of your Michigan form **MI-1040D, line 17 and MI-4797, line 18b**. Do not enter amounts from your federal forms. See instructions for MI-1040 Schedule 1, line 3.

Line 11: Income Attributable to Another State. Nonresidents and part-year residents, complete Schedule NR. See instructions on page 20. Attach federal schedules.

Business income from an activity that is taxable by Michigan and by another state must be apportioned. Complete and attach form MI-1040H.

Capital gains from the sale of real property located outside of Michigan must be adjusted on Michigan form MI-1040D.

Michigan residents cannot subtract salaries and wages or other compensation earned outside Michigan. However, you may be entitled to a tax credit for tax imposed by governmental units outside Michigan (see page 32).

Residents may subtract:

- business income derived solely in other states and included in AGI, and
- net rents and royalties from real property located or used in another state.

Line 12: Qualifying retirement and pension benefits that you included in your AGI may be subtracted from income. The amount you may subtract depends on the source of the benefit. Qualifying benefits include:

- pension plans that define eligibility for retirement and set contribution and benefit amounts in advance
- qualified retirement plans for the self-employed
- distributions from a 401(k) plan attributable to employer contributions or attributable to employee contributions to the extent they result in matching contributions by the employer
- IRA distributions received after age 59 1/2 or described by Section 72(t)(2)(iv) of the IRC
- benefits paid to a senior citizen (age 65 or older) from a retirement annuity policy which are paid for life (as opposed to a specified number of years)

- benefits from any of the previous received as a surviving spouse.

You may subtract **all** pension benefits included in AGI which are received from the following public sources:

- the State of Michigan
- Michigan local governmental units (e.g., Michigan counties, cities and school districts)
- tier 1 and 2 railroad retirements
- federal civil service
- military retirement from the U.S. Armed Forces.

If all retirement and pension benefits were received from public sources listed above, enter the total of all benefits on line 12. Benefits from any other source may be limited. See instructions below to compute the maximum subtraction.

If all retirement and pension benefits were received from private sources, enter the smaller of:

- the total of all private pensions included in AGI, or
- \$33,630 if you are a single filer, \$67,260 if you are married, filing jointly.

If you received a combination of public and private retirement and pension benefits, follow these steps to compute your deduction:

Step 1: Add all public retirement benefits included in AGI to compute the total amount of all public benefits received.

Step 2: If you are a single filer, deduct the amount in step 1 from \$33,630. If you are married filing jointly, deduct the amount in step 1 from \$67,260.

Step 3: Add all private pensions included in AGI to compute the total amount of all private benefits received.

Step 4: Determine which is smaller, the amount computed in step 2 or the amount computed in step 3.

Step 5: Add the amount computed in step 1 and the amount determined in step 4 together and enter the total on line 12. See Example A on page 16.

You may not subtract:

- Amounts received from a deferred compensation plan that lets the employee set the amount to be put aside and does not set retirement age or requirements for years of service. These plans include, but are not limited to plans under Section 457 and distributed under Section 401(k) of the Internal Revenue Code.

- Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan.

- Amounts received as early retirement incentives, unless the incentives were paid from a pension trust.

Line 13: Senior citizens (age 65 or older) may subtract interest, dividends and capital gains included in AGI. This subtraction is limited to a maximum of \$7,500 on a single return or \$15,000 on a joint return, and must be reduced by the pension subtraction. See Example B on page 16.

Line 14: Enter only the taxable portion of Social Security benefits included on your U.S. 1040, line 20b, or your U.S. 1040A, line 13b. Do not include your total Social Security benefits.

Line 15: Renaissance zone deduction. To be eligible you must meet all the following requirements:

- Be a permanent resident of a renaissance zone for at least 183 days.
- Must not be delinquent for any state or local taxes abated by the Renaissance Zone Act.
- Must file an MI-1040 each year.
- Have gross income of not more than \$1 million.

If you were a full-year resident of a renaissance zone you may subtract all earned income. Unearned income such as capital gains may have to be prorated. If you lived in the zone at least 183 days during 1998, you may subtract the portion of income earned while a resident of the zone. Complete and attach a Schedule NR to your MI-1040. (See "Special Note" at the end of the Schedule NR instructions.) For additional information regarding qualifications for the renaissance zone deduction call 1-800-367-6263 and request the *Renaissance Zone Information for Individuals* brochure (form 3292). You may also call the Michigan Tele-Help System (1-800-827-4000) and listen to topic #293.

Line 16: You may subtract Michigan state and city income tax refunds and homestead property tax credit refunds that were included in AGI.

Note to farmers: You may subtract (to the extent included in AGI) the amount that your state or city tax refund and homestead property tax credit exceeds

the business portion of your homestead property tax credit.

Line 17: Allowable miscellaneous subtractions include:

- Contributions to national or Michigan political parties or candidates. The maximum deduction is \$50 on a single return and \$100 on a joint return.
- Benefits from a discriminatory self-insured medical expense reimbursement plan, to the extent these reimbursements are included in AGI.
- Proceeds and prizes won in State of Michigan regulated bingo, raffle or charity games to the extent included in AGI.
- Amount of salary and wage expense that cannot be deducted on your federal return because you are claiming a work opportunity credit, clinical testing (orphan drug) credit or research credit. Attach a copy of U.S. *Work Opportunity Credit* (form 5884), *Credit for Increasing Research Activities* (form 6765), or *Orphan Drug Credit* (form 8820) to substantiate this subtraction.
- Losses from the disposal of property reported in the Michigan column of Michigan form MI-1040D, line 18 or MI-4797, line 18b.
- Amount used to determine the credit for elderly or totally and permanently disabled from U.S. *Schedule R*, line 19, or U.S. *1040A Schedule 3*, line 19.
- Michigan net operating loss deduction. Attach MI-1045. See page 8.
- Net income included in AGI from Michigan gas and oil royalty interest or working interest.
- If you purchased a Michigan Education Trust (MET) contract during 1998, you may deduct the total contract price (including application and processing fees).
- If you purchased a MET payroll deduction or monthly purchase contract, you may deduct the amount paid on that contract during 1998 (not including fees for late payments or insufficient funds). You should receive an annual statement from MET specifying this amount.
- If you purchased a MET contract between 1988 and 1990 with a MET-secured loan and have not previously deducted the total contract price paid,

you may deduct the principle amount paid on the secured loan during 1998.

- Amount of taxable benefits the **purchaser** received and included in AGI during 1998 because the MET contract was terminated to attend a private school or out-of-state school, or the beneficiary (student) did not attend school. The beneficiary cannot claim this subtraction.

You may not subtract:

- Itemized deductions from U.S. *Schedule A*.
- Sick pay, disability benefits and wage continuation benefits paid to you by your employer or by an insurance company under contract with your employer.
- Unemployment benefits included in AGI, except railroad unemployment benefits.

- Distributions from a deferred compensation plan received while a resident of Michigan.
- Lottery winnings. (Exception: installment payments from prizes won on or before December 30, 1988 may be subtracted.)

EXAMPLE A: Computing pension deduction.

John and Karen Jones file jointly and received the following income during the 1998 tax year:

Michigan Public School Retirement System	\$12,000
Military Retirement Pay	\$ 8,000
General Motors Retirement Program	\$20,000
IRA Distribution	\$ 4,000

John and Karen are allowed to deduct the entire amount of pension income they receive from public/military retirement systems in determining Michigan taxable income. However, the maximum allowable private pension deduction must be reduced by the amount of public/military pension income claimed as a deduction.

Determining the private pension deduction:

Step 1: Add all public and military retirement benefits together. $\$12,000 + \$8,000 = \$20,000$

Step 2: Deduct the amount calculated in step 1 from \$67,260
(use \$33,630 if a single filer). $\$67,260 - \$20,000 = \$47,260$

Step 3: Combine the total amount of private pension income including IRAs. $\$20,000 + \$4,000 = \$24,000$

Step 4: Determine which is smaller: the amount computed in step 2 or step 3.
The \$24,000 from step 3 is smaller and is the allowable private pension deduction.

Step 5: Determine the total pension deduction by adding the amounts computed in step 1 and step 4.

Total public and military pension income	\$20,000
Total allowable private pension deduction	<u>24,000</u>
Total 1998 pension deduction. Enter on MI-1040 Schedule 1, line 12	\$44,000

EXAMPLE B: Senior Citizen Interest, Dividend, Capital Gains Deduction

Joe and Susan are both 67 and file jointly. They received the following income during the tax year 1998:

Capital Gains	\$10,000
Pension	\$ 2,000
Social Security	\$ 4,800
Dividends	\$ 500
Interest	\$ 2,000

They may deduct the \$2,000 pension on their MI-1040 and the senior citizen interest, dividend and capital gains income as shown in steps 1 through 3 below.

Determining the interest, dividend and capital gains deduction:

Step 1: Add all capital gains, dividends and interest income:

Capital Gains	\$10,000
Dividends	500
Interest	<u>2,000</u>
Total	\$12,500

Step 2: Subtract pension from the maximum capital gains, dividends and interest deduction of \$15,000 for joint filers (\$7,500 for single filers).

Maximum Deduction Amount	\$ 15,000
Less Pension Subtraction	<u>(2,000)</u>
Total	\$ 13,000

Step 3: Total interest, dividend and capital gains deduction is the smaller of the calculation from step 1 or step 2; \$12,500 is the allowable deduction. Enter this amount on MI-1040 Schedule 1, line 13.

Line-by-Line Instructions for Form MI-1040

Lines not listed are explained on the form.

Line 1: Only married filers may file joint returns.

Lines 2 & 3: Write your Social Security number(s) here even if using your label.

Check the box below your address if someone else prepares your return and you DO NOT need a book mailed to you next year. See "Important News for 1998" on page 3.

Line 5: State Campaign Fund. These funds are disbursed only to candidates for governor who agree to limit campaign spending and meet the campaign fund requirements, regardless of political party. Choosing "yes" will not raise your tax or reduce your refund.

Line 6: Filing Status. Check the box to identify your filing status. If you file a joint federal return, you must file a joint Michigan return. Married couples who file separate federal returns may file a separate or joint Michigan return. If you are also claiming a homestead property tax credit or other tax credit, it may be easier to file a joint Michigan return because total (joint) household income is the basis for computing these credits. If your status is married, filing separately (box c), write your spouse's full name in the space provided and be sure you write his or her Social Security number on line 3.

Line 7: Residency. Check the box that describes your Michigan residency for 1998. If you and your spouse had a different residency status during the year, check a box for each of you. Both part-year residents and nonresidents must file Schedule NR. If you were a part-year resident, list the dates you were a Michigan resident and complete Schedule NR. (For definition of residency, see page 7.)

Line 8: Exemptions. Use this line to compute the exemption amount for your allowable federal exemptions plus your Michigan special exemptions.

a) Enter the number of exemptions you claimed on your U.S. 1040 or 1040A, line 6d. These exemptions are for you, your spouse (if filing joint) and your dependents.

b) Multiply the number of exemptions on line 8a by your exemption allowance of \$2,800 and enter that amount.

Special exemptions. Check only the boxes that apply to you or your spouse as of December 31, 1998.

c and d) Age 65 or older. You are considered age 65 the day before your 65th birthday. If you claim this exemption, you may not claim an exemption as totally and permanently disabled.

e and f) Deaf. You qualify for this exemption if the primary way you receive messages is through a sense other than hearing, for example, lip reading or sign language.

g and h) Disabled or blind. You qualify for this exemption if you are blind, hemiplegic, paraplegic, quadriplegic or totally and permanently disabled. Blind means your better eye permanently has 20/200 vision or less with corrective lenses, or your peripheral field of vision is 20 degrees or less. Totally and permanently disabled means disabled as defined under Social Security Guidelines 42 USC 416. If you are age 65 or older, you may not claim an exemption as totally and permanently disabled.

i) Unemployment compensation. Check this box if 50 percent or more of your combined AGI (MI-1040, line 9) is from unemployment compensation.

k and L) Child Care Credit. You may deduct \$600 for each child 6 and under and \$300 for each child between 7 and 12 as of December 31, 1998, whom you claim as an exemption.

m and n) If your parents (or someone else) can claim you as a dependent on their return, check the box and complete the worksheet below.

Line 9: Adjusted Gross Income (AGI). Enter your AGI from your federal return. This is the amount from your U.S. 1040, line 33; U.S. 1040A, line 18; or U.S. 1040EZ, line 4. You

Worksheet for Filers Eligible to be Claimed as a Dependent on Someone Else's Return (for line 8p).

Is your adjusted gross income (the amount on line 9) over \$1,500 if single, or over \$3,000 if married filing jointly?

☐ YES. If single, enter "0" on line 8a and \$1,000 on line 8p.

☐ YES. If married and both you and your spouse can be claimed as dependents, enter "0" on line 8a and \$2,000 on line 8p.

☐ YES. If married and only one of you can be claimed as a dependent, enter "1" on line 8a, \$2,800 on line 8b, and \$1,000 on line 8p.

☐ No, then was Michigan income tax withheld from your wages?

☐ YES. Enter "0" on lines 8 and 25, and complete line 9 and lines 26 through 37 of this form.

☐ NO. You do not need to file this return.

must attach copies of federal schedules that apply to you as explained in Table 1 on page 6. See *MI-1040 Schedule 1* for Michigan adjustments to federal AGI.

Line 16: Tax. Multiply the amount on line 15 by 4.4 percent (.044). Enter here and on line 17.

Fiscal-Year Taxpayers (those with a tax year other than the calendar year), use the 4.4 percent tax rate. Attach a statement indicating your fiscal year dates to your MI-1040 return.

Line 18: City Income Tax Credit.

Everyone subject to Michigan income tax is allowed partial credit for income tax paid to Michigan cities. Use Table 2 below to compute the credit. Net city income tax paid in 1998 is the total of:

- city income tax withheld from wages in 1998 as reported on your W-2;
- amount of tax paid with a Michigan city income tax return filed in 1998 (do not include penalty and interest);
- estimated city income tax payments paid in 1998;
- less any city income tax refund received in 1998.

18a: Enter your net city income tax paid in 1998.

18b: Enter your city income tax credit from Table 2.

Note: Treasury may request receipts for any credit claimed on lines 19, 20 and 21. If Treasury requests receipts, cancelled checks may not be sufficient documentation.

Line 19: Public Contribution Credit.

A partial income tax credit is allowed when you donate to a qualifying Michigan public institution. The credit is based on cash donated or the value of the item(s) donated. Values claimed must be supported by written appraisals, trade journals, etc., or by an itemized receipt.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund raising organizations
- the Michigan Colleges Foundation
- the State Art in Public Places Fund
- the State of Michigan Museum

- Michigan public libraries
- Michigan public broadcasting stations
- a Michigan municipality or a nonprofit corporation affiliated with a Michigan municipality and an art institute in that municipality to benefit the art institute (art institutes are those whose primary function is the displaying and teaching of visual arts)
- the State of Michigan for the preservation of state archives.

Artwork created by the taxpayer also qualifies for credit if given to:

- the State of Michigan for display in a public place
- a Michigan municipality for public display.

Artwork is an original visual creation of quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

Line 19a: Enter the total amount of public contributions.

Line 19b: Enter the allowable credit which is the **smaller** of:

- 50 percent of the contribution reported on line 19a, or
- \$100 (\$200 for a joint return).

Line 20: Community Foundations

Credit. A partial income tax credit is allowed when you donate to an endowment fund of one of the certified community foundations or component funds listed on page 33. Enter the code number in the box on line 20. You must enter the proper code to receive credit.

Line 20a: Enter the total contribution amount.

Line 20b: Enter the allowable credit which is the **smaller** of:

- 50 percent of the contribution reported on line 20a, or
- \$100 (\$200 for a joint return).

Line 21: Homeless Shelter/Food Bank Credit.

A partial income tax credit is allowed when a **donation** is made by cash or check to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or meals to indigent persons. Donations to organizations such as secondhand stores and churches, which provide other services or shelter and food as a secondary purpose do not qualify for this credit.

TABLE 2: CITY INCOME TAX CREDIT WORKSHEET

To Determine Net City Income Tax

Add:

• City income tax withheld from wages in 1998 (as shown in box 21 on your W-2s).....	_____	.00
• Amount of tax paid with a Michigan city income tax return filed in 1998 (do <u>not</u> include penalty and interest).....	+	_____
• Estimated city income tax payments paid in 1998.....	+	_____
	Subtotal	_____

Subtract:

• Any city income tax refunds received in 1998.....	-	_____
Total net city income tax paid. Carry to line 18a	=	_____

To Determine Your City Income Tax Credit

If Your Total Net City Income Tax Paid (MI-1040, line 18a) is :

\$100 or less	\$101 through \$150	\$151 or more
Net city income tax paid.....	Net city income tax paid.....	Net city income tax paid.....
_____	_____	_____
x .20	Subtract..... - \$100.00	Subtract..... - \$150.00
CREDIT. Carry to line 18b.....	_____	_____
_____	Multiply..... x .10	Multiply..... x .05
	_____	_____
	Add..... + 20.00	Add..... + 25.00
	_____	_____
Credit cannot be more than \$10,000.00	CREDIT. Carry to line 18b.....	CREDIT. Carry to line 18b.....
	_____	_____

Round all amounts to the nearest dollar.

Contributions qualifying for this credit must be all of the following:

- cash or check;
- made to organizations located in **Michigan** whose **primary** purpose is to provide food and shelter to indigent persons; and
- deductible as a charitable contribution under the Internal Revenue Code (IRC);

Line 21a: Enter the total amount of cash contributions.

Line 21b: Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 21a, or
- \$100 (\$200 for a joint return).

Note: Contributions designated for a "qualifying organization" (community foundation, homeless shelter, or food bank) and made through United Way also qualify for this credit. If the credit is for a community foundation be sure to enter the appropriate two-digit code number on your MI-1040 (see pg. 33). Contributions made through United Way must be reduced by administrative costs.

Line 22: Credit for Income Tax Imposed by Government Units Outside Michigan. Include the amount of income tax paid to:

- a nonreciprocal state (see page 8)
- a local government unit outside Michigan, including tax paid to local units located in reciprocal states
- the District of Columbia
- a Canadian province.

Include only income tax paid to another government unit(s) on income earned while you were a Michigan resident and taxed by Michigan.

Be sure to attach a copy of the return filed with the other government unit(s) to your MI-1040.

Do not include taxes paid on income you subtracted on lines 8-17 of MI-1040 Schedule 1 (i.e., rental or business income from another state, part-year resident wages, etc.). If you claim credit for Canadian provincial tax, you must file a *Resident Credit for Tax Imposed by a Canadian Province* (form C-4402RC). Attach copies of your *Canadian Federal Individual Tax Return* (form T-1), Canadian form T-4, *Computation of Foreign Tax Credit* (U.S. 1116) and U.S. 1040. Your credit is limited to the portion of your Canadian provincial tax not used as a credit on your U.S. 1040.

22a: Enter the total income tax paid to other government units. Attach a schedule showing the tax paid to each government unit, if you paid tax to more than one source.

22b: Credit amount. If more than one government unit is involved, compute the credit amount for each government unit separately. Then add the individual credit amounts and enter the total on line 22b. Figure your allowable credit as follows:

- Divide your non-Michigan income subject to tax by both states by your total income subject to Michigan tax (line 13); then
- Multiply the amount of tax shown on line 16 by the result.

Your credit cannot exceed the smaller of: 1) the amount of tax imposed by another government, OR 2) the amount of Michigan tax due on salaries, wages and other personal compensation earned in another state. See Example C below.

EXAMPLE C: Computing Michigan resident's credit for tax imposed by a government unit outside Michigan.

Michigan wages	\$18,000.00
Wages earned outside Michigan	12,000.00
U.S. Government bond interest	+ 1,000.00
Adjusted gross income (MI-1040, line 9)	31,000.00
U.S. Government bond interest	- 1,000.00
Total income subject to tax (MI-1040, line 13)	30,000.00
Percent of non-Michigan income to total (\$12,000/\$30,000)	40%
Taxpayer has 2 exemptions (2 x \$2,800.00)	-5,600.00
Taxable Income (MI-1040, line 15)	24,400.00
Tax 4.4% (.044) (MI-1040, line 16)	1,074.00
Tax imposed by a governmental unit outside Michigan.	
Enter this amount on your MI-1040, line 22a	700.00
Credit limit is 40% of \$1,074.00.	
Enter this amount on your MI-1040, line 22b	\$ 430.00

Line 23: Enter the college tuition and fees credit from Schedule CT, line 5.



Line 26: "FIGHT CHILD ABUSE." Your contribution is a key source of funding for child abuse/neglect prevention in your local community. Contributions fund respite care, parent education, pregnancy/newborn support services, support groups, local family resource

councils, public education and outreach. **Make a difference in the life of a child...enter your contribution of \$10 or more here.**

This will increase your tax due or reduce your refund. If you itemize on your federal return, your contribution is deductible next year. *Direct donations may also be sent by check to the Children's Trust Fund, P.O. Box 30037, Lansing, MI 48909.*



Line 27: Nongame Wildlife Fund. Your tax contributions make a difference to wildlife!

The check off donations continue to provide the major funding source for the management of endangered and nongame animals, plants and their habitats. These funds are restoring populations of peregrine falcons, ospreys, trumpeter swans, frogs and toads, wolves and bald eagle surveys, too. Michigan schoolteachers receive wildlife posters, teaching materials and help with outdoor school site development. Your help is appreciated and needed to continue these important wildlife projects. **Just "Look For The Loon" on your state income tax form.** This will increase your tax due or reduce your refund.

Line 29: Property tax credit information begins on page 34.

Line 30: Farmland preservation credit applies to farmers only.

Line 31: Enter the total **Michigan** tax withheld from all of your W-2 forms. If applicable, include any credit for repayments under the "Claim of Right." See "Repayments of Income Reported in a Prior Year" on page 8.

Line 32: Payments. Enter the total estimated tax paid with your 1998 *Michigan Estimated Individual Income Tax Vouchers* (form MI-1040ES), the amount paid with an *Application for Extension of Time to File Michigan Tax Returns*, and the amount of your 1997 overpayment applied to this year's tax (from 1997 MI-1040, line 37). See **special note** after line 34 instructions.

Line 34: Tax Due. If line 33 is less than line 28, enter the difference. This is the tax you owe with your return. If you owe penalty and interest for late filing, enter these amounts on the appropriate lines. See page 6 "Penalty and Interest Added for Filing or Paying Late" for penalty and interest rates. Add penalty and interest to your tax due and enter the total on line 34. If you owe more than \$500 and are required to make estimated payments,

see **special note** below. If the balance due is less than \$1, no payment is required, but you must still file your return. See "Pay" address on page 2 of your MI-1040 form.

Special note for people required to file estimates. You may owe penalty and interest for underpayment, late payment or for failing to pay estimates. Use the *Underpayment of Estimated Income Tax* (form MI-2210) to compute penalty and interest. Because this is a complicated form, you may choose to have Treasury compute your penalty and interest and send you a bill instead of filing the form. You must complete and attach an MI-2210 if you annualize your income. If you file form MI-2210, check the box on line 34a and enter the penalty and interest amounts on the lines provided. For complete instructions, request form

MI-2210 by calling 1-800-FORM-2-ME (367-6263).

Line 37: Your Refund. This includes any tax you overpaid and any credits due you. The state does not refund amounts less than \$1. Mail your return to the "Refund or Credit" address on page 2 of your MI-1040 form.

— **Direct Deposit.** Instead of receiving a check, you may request deposit of your refund directly into your account at a financial institution. Complete the *Direct Deposit of Refund* (form 3174) on page 27 and attach it behind your return. See "Attachments" on page 45.



SIGN YOUR RETURN

Each spouse must sign a joint return. If the preparer is someone other than the taxpayer, he or she must also sign the

return and enter the business name and address. Check a box to indicate if Treasury may discuss your return with your preparer.

You must attach all your credit claims and required Michigan and federal schedules (see Table 1, page 6). If you owe tax, enclose your payment, but do not staple it to the return. Checks stapled under the W-2 or to the back of the return may not be seen and may result in improper processing.

Signing a child's return. If a return is prepared for a child who is too young to sign it, a parent or guardian should sign the child's name, then add "by (your name), parent (or guardian) for minor child."

Before mailing, review the list of common errors and mailing instructions on page 4.

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 1998.

- | | | |
|---|--|---|
| 01 Albion Civic Foundation | 10 Community Foundation of Greater Flint | 22 Kalamazoo Foundation |
| 51 Alger Community Foundation | Clio Area Community Foundation | Greater South Haven Area Community Foundation |
| 56 Allegan Co. Community Foundation | Fenton Community Foundation | 23 Leelanau Township Foundation |
| 63 Anchor Bay Foundation | Grand Blanc Community Foundation | 55 Livonia Community Foundation |
| 02 Ann Arbor Area Community Foundation | Lapeer County Community Foundation | 25 M & M Area Community Foundation |
| 49 Baraga County Community Foundation | 11 Comm. Foundation of Monroe County | 65 Mackinac Island Comm. Foundation |
| 58 Barry Community Foundation | Bedford Foundation | 24 Manistee County Area Foundation |
| 17 Battle Creek Community Foundation | 35 Comm. Foundation of St. Clair County | 39 Marquette Community Foundation |
| Athens Area Community Foundation | 20 Comm. Foundation of the Holland/ | Ishpeming Area Community Fund |
| Homer Area Community Foundation | Zeeland Area | Negaunee Area Community Fund |
| 03 Bay Area Community Foundation | 50 Dickinson Co. Area Comm. Foundation | 26 Marshall Community Foundation |
| 04 Berrien Community Foundation | 13 Four County Community Foundation | 05 Michigan Gateway Comm. Foundation |
| 45 Branch County Community Foundation | 14 Fremont Area Foundation | 27 Midland Foundation |
| Colon Area Community Foundation | Lake County Community Foundation | 42 Mt. Pleasant Area Comm. Foundation |
| 36 Cadillac Area Community Foundation | Mecosta County Comm. Foundation | 68 Northville Township Comm. Foundation |
| 64 Canton Community Foundation | Osceola Community Foundation | 52 Ontonagon County Comm. Foundation |
| 06 Capital Region Community Foundation | 15 Grand Haven Area Comm. Foundation | 47 Petoskey-Harbor Springs Area |
| Eaton County Comm. Foundation | Coopersville Area Foundation | Community Foundation |
| Ovid-Elsie Community Foundation | 16 Grand Rapids Foundation | 30 Saginaw Community Foundation |
| Leslie Community Foundation | Hudsonville Community Foundation | 61 Sanilac County Community Foundation |
| 66 Central Montcalm Comm. Foundation | Ionia County Community Foundation | 53 Schoolcraft County Community |
| 44 Charlevoix County Comm. Foundation | Sparta Community Foundation | Foundation |
| 41 Comm. Foundation for Delta County | Wyoming Community Foundation | 31 Shiawassee Foundation |
| 12 Community Heritage Foundation for | 46 Grand Traverse Regional Community | 57 Southfield Community Foundation |
| Eaton Rapids | Foundation | 40 Sturgis Foundation |
| 28 Comm. Foundation for Muskegon Co. | Otsego Community Foundation | Constantine Area Comm. Foundation |
| Oceana County Community Foundation | 48 Gratiot County Community Foundation | 62 Tecumseh Community Fund Foundation |
| Ludington Area Comm. Foundation | 18 Greater Frankenmuth Community | 32 Three Rivers Area Foundation |
| 29 Comm. Foundation for Northeast Mich. | Foundation | 54 UP Community Foundation Alliance |
| North Central Michigan Area | 67 Greater Keewenau Area Community | Forest Park Area Comm. Foundation |
| Community Foundation | Foundation | Gogebic Area Community Foundation |
| Straits Area Community Foundation | 19 Greater Rochester Comm. Foundation | Les Chenaux Area Comm. Foundation |
| 09 Comm. Foundation for Southeastern MI | 37 Greenville Area Foundation | Paradise Area Community Foundation |
| Comm. Foundation for Livingston Co. | 43 Hillsdale County Comm. Foundation | Sault Ste. Marie Comm. Foundation |
| Chelsea Community Foundation | 60 Huron County Community Foundation | St. Ignace Area Comm. Foundation |
| | 21 Jackson Community Foundation | |

General Information for Homeowners and Renters

About the Homestead Property Tax Credit (MI-1040CR)

Who may claim a property tax credit

You may claim a property tax credit if all of these apply:

- Your homestead is located in Michigan.
- You were a Michigan resident at least six months of 1998.
- You pay property taxes or rent on your Michigan homestead.

You can have only one **homestead** at a time, and you must be the occupant as well as the owner or renter. Your homestead can be a rented apartment, or a mobile home and a lot in a mobile home park. A vacation home or income property is not considered your homestead.

Your homestead is in your state of **domicile**. Domicile is the place where you have your permanent home. It is the place you plan to return to whenever you go away. Even if you spend the winter in a southern state, your domicile is still Michigan. College students and others whose permanent homes are not in Michigan are not Michigan residents. Domicile continues until you establish a new permanent home.

Property tax credit claims may not be submitted on behalf of minor children. Any public assistance benefits paid to a minor must be included in the household income of the parents when computing their credits.

You may not claim a property tax credit if your household income is over \$82,650. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that household income exceeds \$73,650. If filing a part-year return, you must annualize household income to determine if the income limitation applies. See instructions for annualizing on page 45.

Which form to file

Use form MI-1040CR in this book. If you are blind and own your homestead, are in the active military, are an eligible veteran or an eligible veteran's surviving spouse, request form MI-1040CR-2 and complete both forms. Use the form that gives you a larger credit. If you are blind and rent your homestead, you cannot use the MI-1040CR-2. Claim your credit on form MI-1040CR and check box 7b.

The request for your Social Security number is authorized under USC Section 42. Social Security numbers are used by the Michigan Department of Treasury to conduct matches against benefit income provided by the Social Security Administration and other sources to verify the accuracy of the home heating credit and property tax credit claims filed and to deter fraudulent filing(s).

When to file

If you do not have to file a Michigan income tax return (form MI-1040), you may file your credit claim as soon as you know your 1998 household income and property taxes levied in 1998. If you file a Michigan income tax return, your credit claim should be attached to your MI-1040 return which is due April 15, 1999.

Amending your claim

Use the MI-1040X form and attach a copy of your corrected credit claim. You must do this within four years of the date set for filing your original income tax return.

Delaying payment of your property taxes

Some senior citizens, disabled people, veterans, surviving spouses of veterans, and farmers may be able to delay paying property taxes. It depends on the county in which you live and your income level. **Contact your local or county treasurer for more information about delaying payment of your property taxes.**

Household income

Household income is the total income (taxable and nontaxable) of both spouses or of a single person maintaining a household. It is your AGI, plus all income exempt or excluded from AGI. See "Married, filing separately" and "Single adults sharing a home" on page 43.

Household income does **NOT** include:

- stipends received by an enrolled participant in the foster grandparent or senior companion program pursuant to the Domestic Volunteer Service Act of 1973.
 - energy assistance grants or energy assistance tax credits.
 - government payments to a third party, like a doctor.
- Note:** If payment is made from money withheld from your benefit, the payment is part of household income. (For example, the Family Independence Agency (FIA) may pay your rent directly to the landowner.)
- money received from a government unit to repair or improve your homestead.
 - surplus food.
 - state and local income tax refunds and homestead property tax credits.
 - chore service payments. (These payments are income to the provider but not the person receiving the service.)
 - the first \$300 from gambling, bingo, lottery, awards or prizes. For example, if you win \$500 in a church raffle, you must include \$200 of this in your household income.
 - the first \$300 in gifts, cash or expenses paid on your behalf by a family member or friend.
 - amounts deducted from Social Security or railroad retirement benefits for Medicare premiums.
 - life, health and accident insurance premiums paid by your employer. However, if you pay medical insurance or health maintenance organization (HMO) premiums for you or your family, you may deduct the cost from household income.
 - the gain postponed on the sale of your personal residence. (Exception - see instructions for line 18 on pg. 43.)

Property taxes that can be claimed for credit

General ad valorem property taxes that were levied on your homestead in 1998, including collection fees up to 1 percent of the taxes, can be claimed no matter when you pay them. You may add to your 1998 taxes the amount of property taxes billed in 1998 from a corrected or supplemental tax bill. You must deduct from your 1998 property taxes any refund of property taxes received in 1998 that was a result of a corrected tax bill from a previous year.

Do not include:

- delinquent property taxes (e.g., 1997 property taxes paid in 1998)
- penalty and interest on late payments of property tax
- delinquent water or sewer bills
- property taxes on cottages or second homes
- special assessments (for drains, sewers, etc.) that are not based on taxable value or are not applied to the entire taxing jurisdiction.

Home used for business. If you use part of your home for business, you may claim the property taxes on the living area of your homestead, but not the property taxes on the portion used for business. This applies whether or not you claim the property taxes on a federal business schedule.

Owner-occupied duplexes. When both units are equal, you are limited to 50 percent of the tax on both units. This is true even if 20 percent of the rent paid on the rental is less than 50 percent of the property taxes.

Owner-occupied income property. This section applies to apartment building owners who live in one of the units and to single family homeowners who rent a room(s) to a tenant(s). Owners must do two calculations to figure the tax that can be claimed and base their credit on the **lower** amount. The first calculation subtracts 20 percent of the rent collected from the tax eligible for credit. The second calculation reduces the tax eligible for credit by the amount of tax claimed as a business deduction on your U.S. 1040.

For example, your home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on your home are \$2,150. Here are the calculations.

Step 1: $\$395 \times 12 = \$4,740$ annual rent

$\$4,740 \times .20 = \948 taxes attributable to the apartment

$\$2,150$ total taxes - $\$948 = \$1,202$ taxes attributable to owner's homestead

Step 2: $\$2,150$ total taxes - $\$858$ taxes claimed as a business deduction = $\$1,292$ taxes attributable to homestead

The owner's taxes that can be claimed for credit are \$1,202, the smaller of the two computations.

Farmers. You may include farmland taxes in your property tax credit claim if any of the following conditions apply.

- If your gross receipts from farming are greater than your household income, you may claim all of your farmland taxes including taxes on unoccupied farmland. Do not include taxes on farmland that is not adjacent or contiguous to your home and that you rent or lease to another person.
- If gross receipts from farming are less than your household income and you have lived in your home more than 10 years, you may claim the taxes on your home and the farmland adjacent and contiguous to your home.

- If gross receipts from farming are less than your household income and you have lived in your home less than 10 years, you may claim the taxes on your home and five acres of farmland adjacent and contiguous to your home.

You may not claim rent paid for vacant farmland when computing your property tax credit claim.

Include any farmland preservation tax credit in your household income. Enter the amount of credit you received in 1998 on line 19 or include it in net farm income on line 17.

Homestead property tax credits are not included in household income. If you included this amount in your taxable farm income, you may subtract it from household income.

Rent that can be claimed for credit

Twenty percent of rent paid is considered property tax that can be claimed for credit, except as explained below. If you are age 65 or older and you rent your homestead, you may be eligible for a larger credit using the alternate method. See "ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 OR OLDER" on page 45.

If you live in housing on which **service fees** are paid instead of taxes, 10 percent of your rent can be claimed for credit. If the landowner says your tax share is less than 10 percent, use the amount the landowner gives you.

If your housing is **exempt** from property tax and no service fee is paid, you are not eligible for credit. This includes university or college-owned housing.

If your **housing costs are subsidized**, base your claim on the amount you pay. Do not include the federal subsidy amount.

Mobile home park residents, claim the \$3 per month specific tax on line 9, plus 20 percent of the balance of rent paid on line 10.

If you are a **cooperative housing corporation resident member**, claim your share of the property taxes on the building. If you are one of the few who lives in a cooperative where residents pay rent on the land where the building sets, residents may also claim 20 percent of that land rent. (Do not take 20 percent of your total monthly payment.)

When you pay **room and board in one fee**, the landowner should be able to exclude the board portion of your payment and tell you the amount that goes toward your room. You may claim 20 percent of your room rent as taxes.

You may also determine your tax that can be claimed for credit based on square footage. For example, you pay \$750 a month for room and board. You occupy 600 square feet of a 62,000 square foot apartment building. The landowner pays \$54,000 in taxes per year.

Step 1: $600/62,000 = .0097$

Step 2: $\$54,000 \times .0097 = \524 taxes you can claim for credit.

Special Situations

If you moved in 1998

Residents who lived temporarily outside Michigan may qualify for a credit as long as Michigan remained their state of domicile. However, personal belongings and furnishings must have remained in the Michigan homestead AND the homestead must not have been rented or sublet during the temporary absence. (See the definitions of resident on page 7 and domicile on page 34.)

If you bought or sold your home, you must prorate your taxes. Complete lines 37-43 of form MI-1040CR to determine the taxes that can be claimed for credit. Use only the taxes levied in 1998 on each Michigan homestead, then prorate taxes based on days of occupancy. Do not include taxes on out-of-state property.

If you married during 1998, combine each spouse's share of taxes or rent for the period of time he or she lived in separate homesteads. Then add the prorated share of taxes or rent for the time you lived together in your marital home. This only applies to homes located in Michigan and to couples who married during 1998. If you separated or divorced during 1998, see "Separated or divorced claimants" on this page.

Part-year residents who lived in Michigan at least six months during the year may be entitled to a partial credit. If you are a part-year resident, you must include all income received as a Michigan resident in household income (line 30). Complete lines 37-43 to determine the taxes to claim for credit on your Michigan homestead.

Residents of nursing homes and other adult care homes

If you are a resident of a nursing home, adult foster care home or home for the aged, that facility is considered your homestead. If the facility pays local property taxes (many do not), you may claim your portion of those taxes for credit. You may not claim rent. Ask the manager what your share is. If you would rather figure it yourself, divide the amount of property tax levied on the facility in 1998 by the number of residents the facility is licensed for. This is your share. If both you and your spouse live in the facility, add your shares together. If you lived in the facility only part of the year, multiply this amount by the portion of the year you lived at the facility. (**Exception:** Credit is not allowed if your facility care charges are paid directly to the facility by a government agency.)

If you maintain a homestead and your spouse lives in an adult care home, you may file a joint credit claim. Combine the tax for your homestead and your spouse's share of the facility's property tax to compute your claim.

If you are single and maintain a homestead (that is not rented to someone else) while living in an adult care home, you may claim either your homestead or your share of the facility's property tax, but not both. Use the one that gives you the larger credit.

Deceased claimant's credit

The estate of a taxpayer who died in 1998 (or 1999 before filing a claim) may be entitled to a credit for 1998. The surviving spouse or personal representative can claim this credit.

The surviving spouse may file a joint claim with the deceased. Enter both names and Social Security numbers on the form, and write "deceased" after the decedent's name. Sign the return and write "Filing as a surviving spouse" and the decedent's date of death in the decedent's signature block. Include the decedent's income in household income.

The personal representative must prorate taxes to the date of death. Complete lines 39-43 of the MI-1040CR, to help prorate the property taxes. Annualize household income. See instructions for lines 31 and 36 on pages 44 and 45.

Attach a copy of the tax bills or rent receipts. Also submit a copy of U.S. 1310 or an MI-1310.

Enter on line 1 of the decedent's claim the names of the decedent and personal representative in the following order:

Joe Lane, Estate of
Mary Jones, Rep.

Use the decedent's Social Security number and the personal representative's address. Enter the date of death in the signature block.

Separated or divorced claimants

If you are separated and file a joint return with your spouse, your claim must be based on the tax or rent for 12 months on only one home. The household income must be the combined income of both you and your spouse for the entire year.

If you file separate federal and state returns and maintain separate homesteads, you may each claim a credit. Each credit is based on the individual taxes or rent and individual income for each person.

If you separated or divorced in 1998, figure your credit based on the taxes you paid together before your separation plus whatever taxes you paid individually after your separation. Attach a schedule showing your computation. The brochure *Homestead Property Tax Credit for Separated or Divorced Taxpayers* (form C-4354) contains a worksheet to help you compute your credit.

For example, Bob and Susan separated on October 2, 1998. The annual taxes on the home they owned were \$1,860. Susan continued to live in the home, and Bob moved to an apartment on October 2 and paid \$350 per month rent for the rest of the year. Susan earned \$20,000 and Bob earned \$25,000. They lived together for 274 days.

Step 1: Determine the prorated income for each spouse for the 274 days they lived together. Divide each spouse's total income by 365 days then multiply that figure by 274.

Susan (\$20,000/365) x 274 = \$15,014
Bob (\$25,000/365) x 274 = \$18,768

Step 2: Add both prorated incomes together to determine the total income for the time they lived together.

\$15,014 + \$18,768 = \$33,782

Step 3: Divide each individual's prorated share of income by the total income from step 2 to determine the percentage of income attributable to each.

Susan \$15,014/\$33,782 = 44%
Bob \$18,768/\$33,782 = 56%

Step 4: Determine the prorated taxes eligible for credit for the time they lived together. Divide the \$1,860 by 365 days then multiply by 274 days.

(\$1,860/365) x 274 = \$1,396

Step 5: Determine each individual's share of the prorated taxes. Multiply the \$1,396 by the percentages determined in step 3.

Susan \$1,396 x 44% = \$614
Bob \$1,396 x 56% = \$782

Enter these amounts on line 42, column A, of your MI-1040CR.

Susan uses lines 39-42, column B, to determine her share of taxes for the remaining 91 days. Bob uses lines 44-45 to determine his share of rent. Each completes the remaining lines of the MI-1040CR according to the line-by-line instructions.

Married, filing separately

Spouses who file separate Michigan income tax returns and share a household are entitled to only one property tax credit. Complete your property tax credit claim jointly and include income from both spouses in household income. You may then divide the credit as you wish. If each spouse claims a portion of the credit, attach a copy of the claim showing each spouse's share of the credit to each income tax return. Enter only your portion of the credit on MI-1040, line 29.

Single adults sharing a home

When two or more single people share a home, each may file a credit claim if each has contracted to pay rent or owns a share of the home. Each should file an individual claim based on his or her household income and prorated share of taxes or rent paid.

Line-by-Line Instructions for Form MI-1040CR

Lines not listed are explained on the form.

IDENTIFICATION

Lines 1, 2 and 3: If you are filing this form with an income tax return (MI-1040), you do not need to enter your address on this form, but you must enter your name(s) and Social Security number(s). If you are married filing separate claims enter both Social Security numbers, but do not enter your spouse's name.

Line 5: If you and your spouse had a different residency status, mark the box that applies to each spouse.

Line 6: Enter your age. You are a senior citizen if you or your spouse was age 65 by Dec. 31, 1998, or if you are the surviving spouse of a person who was age 65 or older at the time of death. You are considered age 65 the day before your 65th birthday.

Line 7: Check box "a" if you or your spouse is paraplegic, quadriplegic or hemiplegic as of Dec. 31, 1998. Check box "b" if you or your spouse is totally and permanently disabled as of Dec. 31, 1998 (as defined under Social Security Guidelines 42 USC 416). Do not check box "b" if you or your spouse is a senior citizen.

PROPERTY TAX AND HOUSEHOLD INCOME

If you bought or sold your home or if you are a part-year resident, complete MI-1040CR, lines 37-43. If you are a renter, complete MI-1040CR, lines 44 and 45.

Include all taxable and nontaxable income you and your spouse received as Michigan residents in 1998. If your family lived in Michigan while one spouse earned wages outside Michigan, include the income earned out of state in your household income. (See "Household income" and "Property taxes that can be claimed for credit" on pages 34 and 41.)

Line 8: If you own your homestead, enter the 1998 taxable value from your 1998 property tax statement. If you do not

know your taxable value, ask your local treasurer. Farmers should include the taxable value on all land that qualifies for this credit.

Line 9: Read "Property taxes that can be claimed for credit" on page 41 before you complete this line.

Line 13: Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), deferred compensation received, sick pay or long-term disability benefits, including income protection insurance.

Line 15: Enter the sum of the amounts from the following U.S. forms: *Schedule C* (business income or loss); 4797 (other gain or loss); and *Schedule E* (rents, royalties, partnerships, S corporations, estates and trusts). Include amounts from sources outside Michigan. **Attach these schedules to your claim.**

Line 16: Enter all annuity, pension, and IRA benefits and the name of the payer. This should be the taxable amount shown on your U.S. 1099-R. If no taxable amount is shown on your U.S. 1099-R, use the gross amount. Also include the total amount of lump sum distributions, including amounts reported on your U.S. 4972.

Line 17: Enter the amount from U.S. *Schedule F* (farm income or loss). Attach *Schedule F*.

Line 18: Enter all capital gains. This is the total of short and long-term gains, less short and long-term losses from your U.S. *Schedule 1040D*, line 17 (for gains) or line 18 (for losses). Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax. Do not include deferred gains from the sale of a residence when the proceeds are reinvested in a new home (in accordance with IRC section 1034).

Line 19: Enter alimony received and describe any other taxable income. This includes:

- awards, prizes, lottery, bingo and other gambling winnings over \$300 (see "Household income" on pg. 34)
- farmland preservation tax credits, if not included in farm income on line 17.

Line 20: Enter your Social Security, Supplemental Security Income (SSI) and Railroad Retirement benefits. Include death benefits and amounts received for minor children or other dependent adults who live with you. Report the amount actually received. Do not include the amount deducted for Medicare.

Line 21: Enter child support received. Also enter all payments received as a foster parent. **Note:** If you received a 1998 *Child Support Annual Statement* showing child support payments paid to the Friend of the Court, enter the child support portion here and attach a copy of the statement. Also see line 25.

Line 23: Enter other nontaxable income. This includes: compensation for damages to character or for personal injury or sickness; an inheritance (exclude an inheritance from your spouse); proceeds of a life insurance policy paid on the death of the insured (exclude benefits from a policy on your spouse); death benefits paid by or on behalf of an employer; the value over \$300 in gifts of cash, merchandise or expenses paid on your behalf (rent, taxes, utilities, food,

medical care, etc.) from parents, relatives or friends; minister's housing allowance; amounts paid directly to you as a scholarship, stipend, grant or GI bill benefits; and reimbursement from dependent care and/or medical care spending accounts. Also include payments made on your behalf except government payments made directly to an educational institution or subsidized housing project.

Line 24: Enter workers' compensation benefits received, service-connected disability compensation benefits and pension benefits received from the Veterans Administration. Veterans receiving retirement benefits should enter such benefits on line 16.

Line 25: Enter the total payments made to your household by the Family Independence Agency (FIA) and all other public assistance payments. Your *1998 Annual Statement(s)* mailed by FIA in January 1999 will show your total FIA payments. Your statement(s) may include the following: Family Independence Program assistance (FIP), State Disability Assistance (SDA), State Family Assistance (SFA), Refugee Assistance, Repatriate Assistance and vendor payments for shelter, heat and utilities. **Note:** If you received a *1998 Child Support Annual Statement*, subtract the amount of child support payments entered on line 21 from the total FIA payments and enter the difference here.

Line 27: Enter total adjustments from your U.S. 1040, line 32, or U.S. 1040A, line 17. Describe any adjustments to income. These adjustments reduce household income:

- payments to an individual retirement account (IRA); Keogh (HR 10), SEP, or SIMPLE plans;
- student loan interest deduction;
- medical savings account deduction;
- moving expenses;
- deduction for self-employment tax;
- self-employed health insurance deduction;
- forfeited interest penalty for premature withdrawal;
- alimony paid.

Also enter the amount of a net operating loss (NOL) deduction. **Note:** A deduction for a carryback or carryforward of an NOL cannot exceed federal modified taxable income. Attach your *Application for Net Operating Loss Refund* (form MI-1045).

Line 28: Enter medical insurance or HMO premiums you paid for yourself and your family (NOT MEDICARE). Include medical insurance premiums paid through payroll deduction. Include the portion of auto insurance paid for medical coverage. Do not include insurance premiums deducted on line 27 or amounts paid for income protection insurance.

Line 30: HOUSEHOLD INCOME is used only to compute your credit. Taxpayers with household income over \$82,650 are not eligible for credit in any category. If you are at least age 90, you own your own home and your household income is \$6,000 or less, see the worksheet below.

TABLE 3: Percent of Taxes Not Refundable


Claimant Category: To Qualify for Credit, Your Property Tax Must Exceed:

	<u>Income</u>	<u>% of Income</u>
All General Claimants	\$0 - \$82,650	3.5%
Other Claimants*	\$3,000 or less	0%
	\$3,001 - \$4,000	1%
	\$4,001 - \$5,000	2%
	\$5,001 - \$6,000	3%

*Other claimants are senior citizens and people who are paraplegic, hemiplegic, quadriplegic and totally and permanently disabled.

PROPERTY TAX CREDIT

Line 31: Multiply line 30 by 3.5 percent (.035) or the percentage from Table 3 below. **This is the amount that is not refundable.** The personal representative claiming a credit for a deceased taxpayer with household income of \$6,000 or less must annualize the decedent's income and use the annualized figure to determine the nonrefundable percentage from Table 3 on this page. Then use the actual household income to compute the credit. See instructions for annualizing on pg. 45.

 Credit option worksheet for senior citizen homeowners
 You may use this method to figure your credit if:

- you are at least 90 years old and you had a property tax credit in 1973
- you own your own home
- your household income (form MI-1040CR, line 30) is \$6,000 or less.

If you qualify, complete the worksheet below. Choose this credit if it is more than the credit you computed on your MI-1040CR form. **If you choose this credit, cut out this worksheet and attach it to the front of your MI 1040CR.** Enter the credit amount from line 3 below on line 36 of form MI-1040CR.

1. Enter the 1998 taxes on your homestead	1. _____	.00
2. Enter the 1998 taxable value of your home here _____	Divide 2,500 by your taxable value ...	2. _____ %
3. Multiply line 1 by line 2. Enter here and on line 36 of form MI-1040CR	CREDIT	3. _____ .00

Line 36: Taxpayers with household income over \$82,650 are not eligible for credit in any category. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your household income exceeds \$73,650. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the household income to determine if the credit reduction applies. If the annualized income is more than \$73,650, use actual household income to compute the credit; then reduce the credit 10 percent for every \$1,000 (or part of \$1,000) that your annualized income exceeds \$73,650. The surviving spouse filing a joint claim does not have to annualize the deceased spouse's income.

To annualize income (project what it would have been for a full year):

Step 1: Divide 365 by the number of days the claimant lived or was a Michigan resident in 1998.

Step 2: Multiply the answer from step 1 by the claimant's household income (line 30). The result is annualized income.

RENTERS

See "Rent that can be claimed for credit" on page 41.

Line 44: If you rented a Michigan homestead subject to local property taxes, enter the street number and name, city, landowner's name and address, number of months rented, rent paid per month and total rent paid. Do this for each Michigan homestead rented during 1998. If you need more space, attach an additional sheet. Do not include more than 12 months' rent. Do not include amounts paid directly to the landowner on your behalf by a government agency.

CREDIT PRORATION

If you received Family Independence Program assistance (FIP) or other FIA benefits in 1998, your credit must be prorated to reflect the ratio of income from other sources to total household income.

ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 OR OLDER

Line 56: Enter the rent paid from line 45 or line 47 if you live in service fee housing. If you moved from one rental homestead to another during the last two years, enter here the smaller of:

- the final month's rent on your previous rented homestead multiplied by 12,

OR

- the actual rent paid from line 45 or 47.

WHEN YOU HAVE FINISHED

Sign your return

Review your claim to make sure your name, Social Security number(s), address, and all other important information are on the form.

Your tax preparer (if you used one) must sign the claim and include the name and address of the organization he or she represents, if any. If you are filing this claim with a Michigan income tax return (form MI-1040), you do not have to sign this claim. Your signature on your MI-1040 is sufficient for both forms. If you are filing this claim by itself, sign this claim.

Check a box to indicate if Treasury may discuss your claim with your preparer.

Attachments

Assemble your returns and attachments and staple in the upper left corner. A sequence number is printed in the upper right corner of the following forms to help you assemble them in the correct order behind your MI-1040 form.

- MI-1040 Schedule 1
- Direct deposit of refund (form 3174)
- Nonresident and part-year resident (Schedule NR)
- Farmland credit (MI-1040CR-5)
- Property tax credit (MI-1040CR or MI-1040CR-2)
- College tuition credit (Schedule CT)
- Federal schedules (see Table 1, page 6)
- Schedule of Apportionment (MI-1040H)

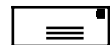


If you are also filing a home heating credit (MI-1040CR-7) or prescription drug credit (MI-1040CR-9) **do not** staple it to your return; fold it and leave it loose in the envelope.

Mailing

Mail your claim to the same address as your MI-1040. If you are not required to file an MI-1040, mail this claim to:

Michigan Department of Treasury
Lansing, MI 48956



Your claim may be audited. Keep a copy of this form and all supporting documents for six years.

School District Code List (See MI-1040, MI-1040CR or MI-1040EZ, line 4.)

Michigan public school districts are listed alphabetically with code numbers to the **left** of the names. When more than one district has the same name, the city name in parentheses helps you choose the right district.

Residents, choose the code for the district where you lived on December 31, 1998. Call your local assessor or treasurer if you do not know your school district name.

Nonresidents, enter "10000" in the code box.

31020 Adams Twp.	47010 Brighton	81050 Dexter	39065 Gull Lake
46020 Addison	17140 Brimley	14020 Dowagiac Union	52040 Gwinn
46010 Adrian	46050 Britton Macon	44050 Dryden	
58020 Airport	12020 Bronson	58050 Dundee	
79010 Akron Fairgrove	76060 Brown City	78030 Durand	
05010 Alba	11310 Buchanan		11670 Hagar Twp. (6)
13010 Albion	28035 Buckley	74050 East China	35020 Hale
01010 Alcona	73080 Buena Vista	50020 East Detroit	03100 Hamilton
74030 Algonac	56020 Bullock Creek	41090 East Grand Rapids	82060 Hamtramck
03030 Allegan	75020 Burr Oak	38090 East Jackson	31010 Hancock
82020 Allen Park	02020 Burt Twp.	15060 East Jordan	38100 Hanover Horton
70040 Allendale	78020 Byron	33010 East Lansing	32060 Harbor Beach
29010 Alma	41040 Byron Center	34340 Easton Twp. (6)	24020 Harbor Springs
44020 Almont		23050 Eaton Rapids	13070 Harper Creek
04010 Alpena	83010 Cadillac	11250 Eau Claire	82320 Harper Woods
50040 Anchor Bay	41050 Caledonia	82250 Ecorse	18060 Harrison
81010 Ann Arbor	31030 Calumet	14030 Edwardsburg	64040 Hart
06010 Arenac Eastern	30010 Camden Frontier	05060 Elk Rapids	80120 Hartford
50050 Armada	74040 Capac	32050 Elkton Pigeon Bayport	47060 Hartland
07010 Arvon Twp.	25080 Carman-Ainsworth	05065 Ellsworth	33060 Haslett
29020 Ashley	55010 Carney Nadeau	31070 Elm River Twp.	08030 Hastings
13050 Athens	79020 Caro	49055 Engadine	63130 Hazel Park
25130 Atherton	73030 Carrollton	21010 Escanaba	73210 Hemlock
60010 Atlanta	59020 Carson City Crystal	09050 Essexville Hampton	62060 Hesperia
06020 Au Gres Sims	76070 Carsonville-Pt. Sanilac	67020 Ewart	82070 Highland Park
02010 AuTrain-Onota	32030 Caseville	66045 Ewen-Trout Creek	60020 Hillman
63070 Avondale	79030 Cass City	40060 Excelsior (1)	30020 Hillsdale
	14010 Cassopolis		70020 Holland
32010 Bad Axe	41070 Cedar Springs	68030 Fairview	63210 Holly Area
43040 Baldwin	50010 Centerline	63200 Farmington	33070 Holt
80020 Bangor	05035 Central Lake	18020 Farwell	61120 Holton
80240 Bangor Twp. (8)	59125 Central Montcalm	03050 Fennville	13080 Homer
	75030 Centreville	25100 Fenton	03070 Hopkins
09030 Bangor Twp.	15050 Charlevoix	63020 Ferndale	72020 Houghton Lake
	23030 Charlotte	50090 Fitzgerald	31110 Houghton-Portage
	31050 Chassell Twp.	82180 Flat Rock	47070 Howell
07020 Baraga Twp.	16015 Cheboygan	25010 Flint	46080 Hudson
21090 Bark River Harris	81040 Chelsea	25120 Flushing	70190 Hudsonville
19100 Bath	73110 Chesaning Union	40020 Forest Area	82340 Huron
13020 Battle Creek	54025 Chippewa Hills	41110 Forest Hills	63220 Huron Valley
09010 Bay City	50080 Chippewa Valley	36015 Forest Park	
37040 Beal City	32040 Church	19070 Fowler	58070 Ida
51020 Bear Lake	18010 Clare	47030 Fowlerville	44060 Imlay City
15010 Beaver Island	63090 Clarenceville	73190 Frankenmuth	82080 Inkster
26010 Beaverton	63190 Clarkston	10025 Frankfort-Elberta	16050 Inland Lakes
58030 Bedford	63270 Clawson	50100 Fraser	34010 Ionia
25240 Beecher	39020 Climax Scotts	73200 Freeland	34360 Ionia Twp. (2)
34080 Belding	46060 Clinton	53030 Freesoil	22010 Iron Mountain
05040 Bellaire	50070 Clintondale	62040 Fremont	27020 Ironwood
23010 Bellevue	25150 Clio	61080 Fruitport	52180 Ishpeming
25060 Bendle	12010 Coldwater	29050 Fulton	29060 Ithaca
25230 Bentley	56030 Coleman		
11010 Benton Harbor	32260 Colfax Twp. (1F)	39050 Galesburg Augusta	38170 Jackson
10015 Benzie County Central	11330 Coloma	11160 Galien Twp.	58080 Jefferson Schools-Monroe Co.
63050 Berkley	75040 Colon	03440 Ganges (4)	70175 Jenison
34140 Berlin Twp. (3)	38040 Columbia	82050 Garden City	69030 Johannesburg-Lewiston
11240 Berrien Springs	39030 Comstock	69020 Gaylord	30030 Jonesville
27010 Bessemer City	41080 Comstock Park	25070 Genesee	
21065 Big Bay De Noc	38080 Concord	72010 Gerrish Higgins	39010 Kalamazoo
62470 Big Jackson	75050 Constantine	82290 Gibraltar	51045 Kaleva Norman-Dickson
54010 Big Rapids	70120 Coopersville	21025 Gladstone	40040 Kalkaska
73170 Birch Run	78100 Corunna	26040 Gladwin	25110 Kearsley
63010 Birmingham	80040 Covert	45010 Glen Lake	41140 Kelloggsville
46040 Blissfield	20015 Crawford AuSable	80110 Gobles	41145 Kenowa Hills
63080 Bloomfield Hills	82230 Crestwood	41120 Godfrey Lee	41150 Kent City
32140 Bloomfield No. 1	76080 Crosswell Lexington	41020 Godwin Heights	41160 Kentwood
		25050 Goodrich	28090 Kingsley
32250 Bloomfield Twp. (7F)		25030 Grand Blanc	79080 Kingston
		70010 Grand Haven	
80090 Bloomingdale	33040 Dansville	23060 Grand Ledge	50140 L'Anse Creuse
49020 Bois Blanc Pines	82030 Davison	41010 Grand Rapids	07040 L'Anse Area
15020 Boyne City	82040 Dearborn	41130 Grandville	78040 Laingsburg
15030 Boyne Falls	80050 Decatur	62050 Grant	57020 Lake City
63180 Brandon	76090 Deckerville	42030 Grant Twp.	25200 Lake Fenton
11210 Brandywine	46070 Deerfield	38050 Grass Lake	31130 Lake Linden Hubbell
29040 Breckenridge	08010 Delton-Kellogg	59070 Greenville	63230 Lake Orion
22030 Breitung Twp.	17050 Detour	82300 Grosse Ile Twp.	50120 Lakeshore
73180 Bridgeport-Spaulling	82010 Detroit	82055 Grosse Pointe	(St. Clair Shores)
11340 Bridgman	19010 DeWitt		

11030 Lakeshore (Stevensville, Berrien Co.)	02070 Munising	79110 Reese	13130 Tekonsha
59090 Lakeview (Lakeview)	61010 Muskegon	61220 Reeths Puffer	08050 Thornapple-Kellogg
13090 Lakeview (Battle Creek)	61020 Muskegon Heights	52110 Republic Michigamme	75080 Three Rivers
50130 Lakeview (St. Clair Shores)		50180 Richmond	28010 Traverse City
25280 Lakeville	52015 Nice (Ishpeming) N.I.C.E.	82120 River Rouge	82155 Trenton
34090 Lakewood	38130 Napoleon	11033 River Valley	59080 Tri County (Howard City)
63280 Lamphere	52090 Negaunee	82400 Riverview	63150 Troy
33020 Lansing	11200 New Buffalo	63260 Rochester	
44010 Lapeer	50170 New Haven	41210 Rockford	32170 Ubly
80130 Lawrence	78070 New Lothrop	71080 Rogers City Area	13135 Union City
80140 Lawton	62070 Newaygo	50190 Romeo	79145 Unionville Sebewaing
45020 Leland	11300 Niles	82130 Romulus	50210 Utica
49040 Les Cheneaux	30050 North Adams - Jerome	50030 Roseville	
33100 Leslie	44090 North Branch	23590 Roxand Twp. (12)	82430 Van Buren
81070 Lincoln	55115 North Central	63040 Royal Oak	50220 Van Dyke
82090 Lincoln Park	22045 North Dickinson Co.	17110 Rudyard	69040 Vanderbilt
25250 Linden	32080 North Huron		38020 Vandercook Lake
30040 Litchfield	61230 North Muskegon	73010 Saginaw City	79150 Vassar
24030 Littlefield	45040 Northport	73040 Saginaw Twp.	32650 Verona Twp. (1F)
82095 Livonia	41025 Northview	81120 Saline	59150 Vestaburg
41170 Lowell	82390 Northville	46130 Sand Creek	39170 Vicksburg
53040 Ludington	38140 Northwest	76210 Sandusky	
	22025 Norway Vulcan	34120 Saranac	65045 West Branch-Rose City
	75100 Nottawa	03080 Saugatuck	27070 Wakefield Twp.
49110 Mackinac Island	63100 Novi	17010 Sault Ste. Marie	30080 Waldron
16070 Mackinaw City		39160 Schoolcraft	64090 Walkerville
46090 Madison (Adrian)	63250 Oak Park	(Kalamazoo Co.)	63290 Walled Lake
63140 Madison (Madison Hts.)	61065 Oakridge	64080 Shelby	50230 Warren
05070 Mancelona	33170 Okemos	37060 Shepherd	50240 Warren Woods
81080 Manchester	23080 Olivet	32610 Sigel Twp.-Adams (3)	63300 Waterford
51070 Manistee	71050 Onaway	(Bad Axe)	27080 Watersmeet Twp.
77010 Manistique	23490 Oneida Twp. (3)	32620 Sigel Twp. (4)	11320 Watervliet
83060 Manton	51060 Onkama	32630 Sigel Twp. (6)	33215 Waverly
23065 Maple Valley	46110 Onsted	11830 Sodus Twp. (5)	03040 Wayland Union
14050 Marcellus	66050 Ontonagon	80010 South Haven	82160 Wayne-Westland
27060 Marenisco	61190 Orchard View	50200 South Lake	33220 Webberville
67050 Marion	31100 Osceola Twp.	63240 South Lyon	52160 Wells Twp.
13095 Mar Lee	35010 Oscoda	82140 South Redford	63160 West Bloomfield
76140 Marlette	03020 Otsego	63060 Southfield	36025 West Iron County
52170 Marquette City	19120 Ovid Elsie	82405 Southgate	70070 West Ottawa
13110 Marshall	32090 Owendale Gagetown	41240 Sparta	38010 Western
03060 Martin	78110 Owosso	70300 Spring Lake	82240 Westwood
74100 Marysville	63110 Oxford	38150 Springport	25210 Westwood Heights
33130 Mason		73240 St. Charles	62090 White Cloud
58090 Mason (Erie)	34040 Palo	49010 St. Ignace City	75070 White Pigeon
53010 Mason County Central (Scottville)	39130 Parchment	19140 St. Johns	66070 White Pine
53020 Mason County Eastern (Custer)	80160 Paw Paw	11020 St. Joseph	17160 Whitefish
80150 Mattawan	76180 Peck	29100 St. Louis	58110 Whiteford
79090 Mayville	24040 Pellston	06050 Standish - Sterling	61240 Whitehall
57030 McBain	13120 Pennfield	31140 Stanton Twp.	81140 Whitmore Lake
82045 Melvindale Allen Park	64070 Pentwater	55120 Stephenson	35040 Whittemore Prescott
74120 Memphis	78080 Perry	33200 Stockbridge	33230 Williamston
75060 Mendon	24070 Petoskey	75010 Sturgis	81150 Willow Run
55100 Menominee	19125 Pewamo Westphalia	58100 Summerfield	16100 Wolverine
56050 Meridian	17090 Pickford	02080 Superior Central	82365 Woodhaven
73230 Merrill	47080 Pinckney	45050 Suttons Bay	82170 Wyandotte
83070 Mesick	09090 Pinconning	73255 Swan Valley	41026 Wyoming
38120 Michigan Center	67055 Pine River	25180 Swartz Creek	
21135 Mid Peninsula	30060 Pittsford		74130 Yale
56010 Midland	03010 Plainwell	48040 Tahquamenon	81020 Ypsilanti
81100 Milan	82100 Plymouth Canton	35030 Tawas	
79100 Millington	63030 Pontiac	82150 Taylor	70350 Zeeland
68010 Mio Au Sable	32130 Port Hope	46140 Tecumseh	
61060 Mona Shores	74010 Port Huron		
58010 Monroe	39140 Portage		
59045 Montabella	34110 Portland		
61180 Montague	71060 Posen		
25260 Montrose	23090 Pottsville		
49070 Moran Twp.	52100 Powell Twp.		
46100 Morenci	12040 Quincy		
54040 Morley Stanwood	21060 Rapid River		
78060 Morrice	61210 Ravenna		
50160 Mt. Clemens	30070 Reading		
25040 Mt. Morris	82110 Redford Union		
37010 Mt. Pleasant	67060 Reed City		

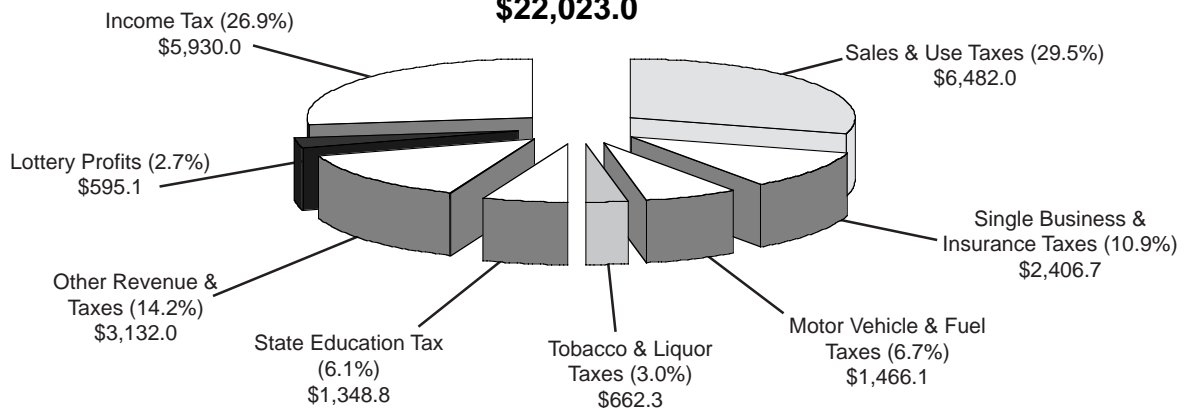
We no longer print your Social Security number on the mailing label. Instead, for security reasons, a 10-digit code number appears on the label. Review this label. If the information is correct, place the label on your tax return. **If any information is incorrect, do not use this label.** Write the correct information on the return. If you use a tax preparer, take this book to your preparer and ask him or her to use this label. Using this label will help shorten the processing time of your return.

Financial Information for Fiscal Year 1997

This information is intended to give you an overview and broad perspective of the state's financial operations. These figures were derived from the latest *Michigan Comprehensive Annual Financial Report* for the fiscal year ended September 30, 1997.

STATE REVENUES AND FINANCING SOURCES MILLIONS OF DOLLARS

\$22,023.0



STATE EXPENDITURES AND FINANCING USES MILLIONS OF DOLLARS

\$22,023.0

